



Randfontein Local Municipality
(Registration number GT482)
Unaudited Annual Financial Statements
for the year ended 30 June 2016

Randfontein Local Municipality

(Registration number GT482)

Unaudited Annual Financial Statements for the year ended 30 June 2016

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

- Provision of a democratic and accountable local government for communities in the Randfontein area;
- Ensuring the provision of municipal services to these communities in a sustainable manner;
- Promotion of social and economic development;
- Promotion a safe and healthy environment; and
- Encourage the involvement of communities and community organisations in the matters of local government in the Randfontein area.

Members of Council

Executive Mayor

Khumalo ME

Speaker

Mahuma B

Council Whip

Legoete YI

Members of Mayoral Committee

Gama ML (Local Economic Development)
Grobler MC (Finance)
Kimane MT (Waste and Environment Services; Ward 1)
Matakane SS (Development Planning)
Matshuisa LS (Public Safety; Ward 16)
Matshogo FO (MPAC)
Matuwane PT (Social services)
Ntsepo X (Corporate Support Services; Ward 2)
Sampson A (Infrastructure; Ward 5)

Councillors

Bock M (Ward 10)
Bogale MJ (Ward 14)
Cloete D (Ward 20)
Dick P (Ward 9)
Du Plessis EP (Ward 6)
Erasmus GA (Ward 4)
Faku PK (Ward 22)
Harrison C (Ward 7)
Kutoane MJJ (Ward 17)
Matebesi B (Ward 1)
Mbangeni MJ (Ward 12)
Mogapi KD (Ward 18)
Mogale MD (Ward 19)
Mtyotywa M (Ward 11)
Nawa SW (Ward 15)
Rooskrantz BS (Ward 8)
Sello MM (Ward 13)
Van Tonder AJ (Ward 3)

Proportional Representative Councillors:

Bezuidenhout GP
Beaufort EJ
De Lange EW
Dreyer BC
Francis PL
Handula SS

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General Information

	Kruger G Mananiso TB Mapena PS Mavuso TBN May S Ndebele GM Ndlela N Simon P
Grading of local authority	Grade 4 (High Capacity Municipality)
Accounting Officer (Acting)	L. Steyn
Chief Financial Officer (Acting)	F. Khan
Registered office	Corner Sutherland & Pollock street Randfontein 1760
Postal address	P. O. Box 218 Randfontein 1760
Bankers	ABSA Bank Ltd
Auditors	Auditor General of South Africa
Attorneys	Bhika Calitz Attorneys Fick Attorneys Geldenhuys Van Ryneveld Attorneys Legwale Attorneys Malatji Attorneys Matseke Attorneys Motlatsi Seleke Attorneys Naidoo and Associates Incorporated Steyn and Steyn Attorneys Thaanyane Attorneys
Currency	South African Rand
Rounding off	Nearest Rand
Telephone number	011 411 0000
Fax number	011 693 1394
Website	www.randfontein.gov.za

Randfontein Local Municipality

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MMC	Members of Mayoral Committee

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The unaudited annual financial statements set out on pages 5 to 84, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2016.

Accounting Officer
L. Steyn
Randfontein

31 August 2016

Randfontein Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached unaudited annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 21 003 367 (2015: deficit R 34 329 771).

2. Going concern

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is continued funding by national government for operational and capital activities.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year except that Randfontein Local Municipality merged with Westonaria Local Municipality on 3 August 2016 to form Randwest City Local Municipality. See note 49 for details.

4. Merger

Based on the ruling of the demarcation board, Randfontein Local Municipality and Westonaria Local Municipality merged to form Rand West City Local Municipality effective 3 August 2016.

In terms of this, Rand West City Local Municipality becomes the successor in law to both the Randfontein Local Municipality and Westonaria Local Municipality.

All assets and liabilities of Randfontein Local Municipality and Westonaria Local Municipality will be transferred to Rand West City Local Municipality at carrying amounts.

Management has taken cognisance of the merger in assessing the going concern of Randfontein Local Municipality.

5. Accounting policies

The unaudited annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
L. Steyn

7. Secretary

The secretarial function was performed by the department of Corporate Services.

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Officer's Report

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

9. Bankers

For the year under review, the bankers of Randfontein Local Municipality were ABSA Bank.

10. Auditors

Auditor General of South Africa will continue in office for the next financial period. This appointment will take cognisance of the Merger. Refer to paragraph 4 of this report

FIRST DRAFT

Randfontein Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	86 174 946	31 510 310
Receivables from exchange transactions	4	56 286 382	47 821 165
Receivables from non-exchange transactions	5	34 681 495	35 752 077
VAT receivable	6	17 972 261	7 139 843
Prepayments		253 110	2 820 052
Inventories	7	3 605 435	3 685 427
Current portion of long term receivables	8	1 770 620	1 800 127
		200 744 249	130 529 001
Non-Current Assets			
Long term receivables	8	3 833 717	4 312 148
Investments	9	11 608 839	10 865 792
Biological assets that form part of an agricultural activity	10	662 279	788 424
Investment property	11	219 945 481	219 945 481
Property, plant and equipment	12	2 350 428 808	2 278 234 289
Intangible assets	13	36 204 467	36 970 898
Heritage assets	14	4 232 263	4 232 263
		2 626 915 854	2 555 349 295
Total Assets		2 827 660 103	2 685 878 296
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	283 524 472	214 134 149
Payables from non-exchange transactions	16	2 776 069	2 595 001
Unspent conditional grants and receipts	17	45 081 145	16 637 576
Consumer deposits	18	35 816 446	32 798 691
Finance lease obligation	19	7 716 350	-
Borrowings	20	2 205 404	1 896 937
Provisions	21	-	1 366 672
		377 119 886	269 429 026
Non-Current Liabilities			
Finance lease obligation	19	8 032 630	-
Borrowings	20	3 987 890	6 193 294
Provisions	21	5 023 160	3 656 488
Employee benefit obligation	22	83 176 304	77 282 623
		100 219 984	87 132 405
Total Liabilities		477 339 870	356 561 431
Total Net Assets		2 350 320 233	2 329 316 865
Reserves			
Accumulated surplus		2 348 649 291	2 327 645 923
Revaluation reserve		1 670 942	1 670 942
Total Net Assets		2 350 320 233	2 329 316 865

* See Note 45

Randfontein Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	564 476 447	505 406 334
Sale of stands		4 245 614	-
Rental of facilities and equipment	25	1 885 381	2 104 490
Interest received - outstanding receivables		14 359 592	7 531 093
Interest received - investment	26	3 825 879	3 096 247
Income from agency services		14 207 619	15 415 024
Licences and permits		7 325	12 237
Other income	27	13 111 017	6 656 710
Total revenue from exchange transactions		616 118 874	540 222 135
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	104 721 752	105 884 633
Transfer revenue			
Government grants & subsidies	30	214 962 834	161 382 959
Public contributions and donations		-	5 122 385
Fines		5 647 507	10 387 140
Total revenue from non-exchange transactions		325 332 093	282 777 117
Total revenue	23	941 450 967	822 999 252
Expenditure			
Employee related costs	31	(237 794 288)	(218 966 357)
Remuneration of councillors	32	(19 446 149)	(16 224 527)
Depreciation and amortisation	33	(67 012 860)	(84 452 643)
Impairment loss	34	-	(720 999)
Finance costs	35	(18 527 918)	(20 959 354)
Debt impairment	36	(10 195 286)	(23 008 389)
Assets written off	12	(285 216)	(8 577 641)
Repairs and maintenance		(37 635 939)	(22 807 439)
Bulk purchases	37	(411 394 735)	(363 120 192)
Contracted services	38	(42 532 207)	(33 423 222)
Grants and subsidies paid	29	(315 000)	(420 000)
General expenses	39	(79 055 499)	(62 754 567)
Total expenditure		(924 195 097)	(855 435 330)
Operating surplus (deficit)		17 255 870	(32 436 078)
Fair value adjustments	40	(126 145)	(3 224 850)
Actuarial gains	22	3 873 642	1 331 157
		3 747 497	(1 893 693)
Surplus (deficit) for the year		21 003 367	(34 329 771)

* See Note 45

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	1 555 029	2 375 839 472	2 377 394 501
Adjustments			
Prior year adjustments	-	(13 863 778)	(13 863 778)
Balance at 01 July 2014 as restated*	1 555 029	2 361 975 694	2 363 530 723
Changes in net assets			
Revaluation of Heritage assets	115 913	-	115 913
Net income (losses) recognised directly in net assets	115 913	-	115 913
Restated deficit for the year	-	(34 329 771)	(34 329 771)
Total recognised income and expenses for the year	115 913	(34 329 771)	(34 213 858)
Total changes	115 913	(34 329 771)	(34 213 858)
Restated* Balance at 01 July 2015	1 670 942	2 327 645 924	2 329 316 866
Changes in net assets			
Deficit for the year	-	21 003 367	21 003 367
Total changes	-	21 003 367	21 003 367
Balance at 30 June 2016	1 670 942	2 348 649 291	2 350 320 233

* See Note 45

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Taxation and fines		84 417 409	93 506 423
Sale of goods and services		576 365 550	500 453 127
Grants		243 406 403	156 110 278
Interest income		3 825 879	3 096 247
Other receipts		33 456 956	24 188 461
		941 472 197	777 354 536
Payments			
Employee costs		(245 418 315)	(223 517 387)
Suppliers		(497 437 101)	(487 502 204)
Finance costs		(18 174 587)	(20 683 265)
Grants paid		(315 000)	(420 000)
		(761 345 003)	(732 122 856)
Net cash flows from operating activities	41	180 127 194	45 231 680
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(138 726 161)	(55 726 698)
Increase in investments		(743 047)	(633 312)
Decrease in long term receivables		507 938	670 847
Net cash flows from investing activities		(138 961 270)	(55 689 163)
Cash flows from financing activities			
Repayment of borrowings		(1 896 937)	(1 636 500)
Increase / (decrease) in finance leases		15 395 649	(9 288 624)
Net cash flows from financing activities		13 498 712	(10 925 124)
Net increase/(decrease) in cash and cash equivalents		54 664 636	(21 382 607)
Cash and cash equivalents at the beginning of the year		31 510 310	52 892 917
Cash and cash equivalents at the end of the year	3	86 174 946	31 510 310

* See Note 45

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	638 101 000	-	638 101 000	564 476 447	(73 624 553)	54.1
Sale of stands	-	-	-	4 245 614	4 245 614	54.2
Rental of facilities and equipment	2 932 000	11 000	2 943 000	1 885 381	(1 057 619)	54.3
Interest received - outstanding receivables	8 997 000	1 000 000	9 997 000	14 359 592	4 362 592	54.4
Income from agency services	17 986 000	-	17 986 000	14 207 619	(3 778 381)	54.5
Licences and permits	90 000	-	90 000	7 325	(82 675)	54.6
Other income	28 282 000	4 221 000	32 503 000	13 111 017	(19 391 983)	54.7
Interest received - investment	1 916 000	-	1 916 000	3 825 879	1 909 879	54.8
Total revenue from exchange transactions	698 304 000	5 232 000	703 536 000	616 118 874	(87 417 126)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	119 831 000	-	119 831 000	104 721 752	(15 109 248)	54.9
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Transfer revenue

Government grants & subsidies	181 216 000	53 924 000	235 140 000	214 962 834	(20 177 166)	54.10
Fines	8 349 000	-	8 349 000	5 647 507	(2 701 493)	54.11

Total revenue from non-exchange transactions	309 396 000	53 924 000	363 320 000	325 332 093	(37 987 907)	
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Total revenue	1 007 700 000	59 156 000	1 066 856 000	941 450 967	(125 405 033)	
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Expenditure

Personnel	(244 292 000)	(12 151 000)	(256 443 000)	(237 794 288)	18 648 712	54.12
Remuneration of councillors	(17 477 000)	(193 000)	(17 670 000)	(19 446 149)	(1 776 149)	54.13
Depreciation and amortisation	(88 301 000)	-	(88 301 000)	(67 012 860)	21 288 140	54.14
Finance costs	(11 793 000)	-	(11 793 000)	(18 527 918)	(6 734 918)	54.15
Debt impairment	(22 410 000)	-	(22 410 000)	(10 195 286)	12 214 714	54.16
Assets written off	-	-	-	(285 216)	(285 216)	54.17
Repairs and maintenance	(34 783 000)	(6 477 000)	(41 260 000)	(37 635 939)	3 624 061	54.18
Bulk purchases	(372 291 000)	-	(372 291 000)	(411 394 735)	(39 103 735)	54.19
Contracted services	(30 060 000)	(14 977 000)	(45 037 000)	(42 532 207)	2 504 793	54.20
Grants and subsidies paid	(630 000)	-	(630 000)	(315 000)	315 000	54.21
General expenses	(135 787 000)	16 079 000	(119 708 000)	(79 055 499)	40 652 501	54.22
Total expenditure	(957 824 000)	(17 719 000)	(975 543 000)	(924 195 097)	51 347 903	

Operating surplus	49 876 000	41 437 000	91 313 000	17 255 870	(74 057 130)	
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Fair value adjustments	-	-	-	(126 145)	(126 145)	54.23
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Actuarial gains	-	-	-	3 873 642	3 873 642	54.24
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	-	-	-	3 747 497	3 747 497	
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Surplus for the year	49 876 000	41 437 000	91 313 000	21 003 367	(70 309 633)	
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Randfontein Local Municipality

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Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Use of estimates

Management makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the financial statements where applicable.

Management continually evaluates estimates and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognised in the period in which the estimates are reviewed and in any future periods affected.

In the process of applying Randfontein Local Municipality's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.3.1 Classification of leases

All arrangements that are classified as leases are evaluated as operating and finance leases. These are then accounted in the annual financial statements in terms of the relevant GRAP standard.

1.3.2 Employee benefits including pension and other post-employment benefits

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.3.3 Impairment of receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This was performed per service identifiable categories across all debtor classes.

Randfontein Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.3 Use of estimates (continued)

1.3.4 Impairment of property, plant and equipment, heritage assets and intangible assets

The calculation in respect of the impairment of property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

1.3.5 Provisions, landfill rehabilitation provision and contingent liabilities

Management's judgements is required when recognising and measuring provisions, landfill rehabilitation provision and contingent liabilities. Provisions are discounted where the effect of discounting is material, using actuarial valuations.

1.3.6 Useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management's judgements on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.4 Budget information

Randfontein Local Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through MFMA and the appropriate legislation.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.5 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated according.

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Accounting Policies

1.6 Financial reporting terms

1.6.1 Assets acquired at no costs/nominal cost

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

1.6.2 Cash generating assets

Cash generating assets are those assets held by Randfontein Local Municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

1.6.3 Carrying Amount

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

1.6.4 Cash generating unit

A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, Randfontein Local Municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

The future cash inflows used to determine the asset's or cash generating unit's value in use; and the future cash outflow used to determine the value in use of any other assets or cash generating units that are affected by the internal transfer pricing

1.6.5 Costs of disposal

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

1.6.6 Cost of inventories

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.6.7 Current replacement cost

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

1.6.8 Depreciation (Amortisation)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

1.6.9 Exchange transactions for non-monetary assets

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination thereof, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at its cost, its cost is measured at the carrying amount of the asset given up.

1.6.10 Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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1.6.11 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

1.6.12 Impairment Loss

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

1.6.13 Net realisable value

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

1.6.14 Non-cash generating assets

Non-cash generating assets are assets other than cash generating assets.

1.6.15 Recognition criteria for assets

Assets are recognised if it is probable that future economic benefits or service potential will flow to Randfontein Local Municipality from the assets and the costs/fair value of the assets can be reliably measured. This applies to the following types of assets:

- Property, plant and equipment;
- Investment property;
- Intangible asset ; and
- Heritage assets.

1.6.16 Recoverable amount

Recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

1.6.17 Recoverable service amount

Recoverable service amount is the higher of non-cash generating asset's fair value less costs to sell and its value in use.

1.6.18 Useful life

Useful life is either the period of time over which an asset is expected to be used by Randfontein Local Municipality or the number of production or similar units expected to be obtained from the asset by Randfontein Local Municipality.

1.6.19 Value in use of non-cash generating assets

Value in use of non-cash generating assets is the present value of the non-cash generating assets remaining service potential. The present value of the remaining service potential of a non-cash generating assets is determined using the depreciated replacement cost approach.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that Randfontein Local Municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset.

Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Where the cost is not available, revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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1.7 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	5 - 100 years
Infrastructure	Straight line	5 - 100 years
Community	Straight line	5 - 100 years
Other property, plant and equipment	Straight line	3 - 10 years
Leased Assets	Straight line	3 - 7 years
Library books	Straight line	3 - 50 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.8 Biological assets that form part of an agricultural activity

The municipality recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

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1.8 Biological assets that form part of an agricultural activity (continued)

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.9 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

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1.10 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.11 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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1.11 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Servitudes	Indefinite
Computer software	3 - 10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised .

1.12 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

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1.12 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.13 Financial instruments

Financial instruments are recognised when Randfontein Local Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to, or deducted from, the fair value, as appropriate on initial recognition.

1.13.1 Financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period.

Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and Randfontein Local Municipality has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

1.13.2 Financial assets at fair value

Financial assets that are held for trading or non-derivate financial assets with fixed or determinable payments that are designated at fair value at initial recognition. Subsequent to initial recognition, all changes to fair value are recognised through the Statement of Financial Performance.

1.13.3 Financial assets at amortised cost

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates which Randfontein Local Municipality has positive intent and ability to hold to maturity are stated at amortised cost using the effective interest method less any impairment.

1.13.4 Financial assets at cost

Residual interests that do not have a quoted market price in an active market and the fair value of which cannot be reliably measured are stated at cost, less any impairment.

1.13.5 Financial liabilities

After initial recognition, Randfontein Local Municipality measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

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1.13 Financial instruments (continued)

1.13.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.14 Impairment of cash generating assets

Cash generating assets are those assets held by Randfontein Local Municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit orientated entity, it generates a commercial return.

Randfontein Local Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. As such, management has determined that Randfontein Local Municipality does not control assets that meet the definition of cash-generating assets. Accordingly, this standard was not implemented. The GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the Municipality.

1.15 Impairment of non-cash generating assets

Non-cash generating assets are assets other than cash generating assets. All Randfontein Local Municipality's assets have been classified as non-cash generating assets.

1.15.1 Measurement and recognition

At the end of each reporting period, carrying amounts of non-cash-generating assets are reviewed to determine whether there is any indication of impairment or reversal of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the recoverable service amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash generating asset to which it relates, Randfontein Local Municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

1.15.2 Recoverable service amount

The recoverable service amount of a non-cash-generating asset is the higher of fair value less costs to sell, and value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

1.15.3 Reversal of an impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount. The increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance.

1.15.4 Depreciation/Amortisation

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15.5 Redesignation

The redesignation of assets from a cash generating asset to a non-cash generating asset or from a non-cash generating asset to a cash generating asset only occur when there is clear evidence that such a redesignation is appropriate.

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1.16 Leases

At inception of an arrangement, Randfontein Local Municipality determines whether the arrangement is or contains a lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, Randfontein Local Municipality assesses the classification of each element separately. The land and the buildings elements of a lease are considered separately for the purpose of lease classification as finance or an operating lease.

Finance leases -Randfontein Local Municipality lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease. Lease payment relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance revenue.

Finance leases -Randfontein Local Municipality lessee

Finance lease assets are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as finance lease liability as part of debt.

The capitalised amount is depreciated over the shorter of the lease term and asset's useful life unless it is reasonably certain that Randfontein Local Municipality will obtain ownership by the end of the lease term, in which case it is depreciated over its useful life.

Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

Operating leases -Randfontein Local Municipality lessor

Randfontein Local Municipality presents assets subject to operating leases in the Statement of Financial Position according to the nature of the asset. These assets are depreciated in accordance with Randfontein Local Municipality's normal depreciation policy.

Lease revenue from operating leases is recognised as revenue on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease revenue are recognised as an expense.

Initial direct costs incurred by Randfontein Local Municipality in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Operating leases -Randfontein Local Municipality lessee

Operating leases are leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments under an operating lease are charged to the Statement of Financial Performance over the lease term on a straight-line basis unless another basis is more representative of the pattern of use. Contingent rents are charged as expenses in the periods in which they are incurred.

1.17 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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1.17 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.18 Value added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

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1.19 Employee benefits

1.19.1 Short term employee benefits

Remuneration of employees is charged to the Statement of Financial Performance.

Short-term employee benefits are those that are expected to be settled completely within 12 months after the end of the reporting period in which the services have been rendered. Short term benefits include the paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care.

Short-term employee benefit obligations are measured on an undiscounted basis and are charged to the Statement of Financial Performance as the related service is provided.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

A liability is recognised for accumulated leave, incentive/performance bonuses and other employee benefits when Randfontein Local Municipality has a present legal or constructive obligation as a result of past service provided by the employee, and a reliable estimate of the amount can be made.

1.19.2 Defined contribution pension plan and defined benefit pension plans

Randfontein Local Municipality contributes to defined contribution pension plans and defined benefit pension plans for its employees. These plans are generally funded through payments to trustee-administered funds as determined by annual actuarial calculations.

1.19.3 Retirement benefits

Defined contribution plans are post-employment benefit plans under which Randfontein Local Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to defined contribution pension plans are charged to the Statement of Financial Performance as an employee expense in the period in which related services are rendered by the employee or as they fall due.

Contributions that are expected to be wholly settled more than 12 months after the end of the reporting period, in which the employee renders the service, are discounted to their present value.

1.19.4 Defined benefit plans - Post-retirement health care benefits

Randfontein Local Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain of its retirees and their spouses. The entitlement of these benefits is usually based on the employee remaining in service up to retirement age, the completion of a minimum service period of 10 years and the employee continuing to pay their own contributions to the scheme.

Past service costs is recognised in surplus or deficit in the reporting period in which the plan is amended irrespective of whether vesting periods exist.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation. The expected costs of these benefits are accrued on a systematic basis over the expected remaining period of employment, using the project credit method. Independent actuaries perform the calculation of this obligation annually. Actuarial gains or losses are recognised, in the Statement of Financial Performance, in the period that they occur.

1.19.5 Other long term employee benefits

Long-term benefits are those that are provided to employees more than 12 months after the reporting date. Currently Randfontein Local Municipality provides the following additional payments to employees based on certain criteria:

Gratuity payment benefits

The municipality provides additional gratuity payments for employees who were not allowed to contribute retirement benefit plans under the apartheid government. This benefit is based on half the basic salary (at retirement) of the employee multiplied by the number of years that the employee was not allowed to contribute retirement benefit plans.

Randfontein Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Accounting Policies

1.19 Employee benefits (continued)

Long service awards

The municipality offers various types of long service awards to its employees, payable on completion of minimum number of years of employment.

Randfontein Local Municipality's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are fully accounted for in the Statement of Financial Performance. The projected unit credit method was used to value the obligation.

The present value of the obligation is recognised on the Statement of Financial Position.

1.20 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Randfontein Local Municipality recognises provisions when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Long-term provisions are determined by discounting the expected future cash flows to their present value. The increase in discounted long-term provisions as a result of the passage of time is recognised as a finance expense in the Statement of Financial Performance.

Provisions are used only for expenditures for which the provision was originally recognised.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Those which can be settled within twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

1.21 Landfill rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on Randfontein Local Municipality's policy, taking into account current technological, environmental and regulatory requirements.

The value of the provisions is based on the expected future cost to rehabilitate the various sites discounted back to the reporting date at the cost to capital. Costs include the initial estimate of the cost to rehabilitate the land, restoring the land, restoring the site, current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. In so far as the obligations relate to assets, they are capitalised as part of the cost of those assets. These provisions are reviewed at least annually.

Subsequent changes in the obligation are to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset does not exceed its carrying amount. Where the decrease in the obligation exceeds the carrying amount of the asset, the excess is recognised immediately in Statement of Financial Performance.

Where the adjustment results in an addition to the cost of an asset, Randfontein Local Municipality evaluates whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, Randfontein Local Municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount and account for any impairment loss in accordance with the relevant impairment policy.

Any unwinding of discount is charged to the statement of financial performance. The discount rate has not been risk adjusted.

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Accounting Policies

1.22 Contingent liabilities

A contingent liability is:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the municipality; or

A present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Randfontein Local Municipality does not recognise contingent liabilities. Contingent liabilities are disclosed in the notes to the annual financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annually Randfontein Local Municipality evaluates the possibility of the outflow of resources or service potential.

1.23 Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Randfontein Local Municipality.

Randfontein Local Municipality does not recognise contingent assets. Contingent assets are disclosed in the notes to the annual financial statements, where an inflow of economic benefits or service potential is probable.

Randfontein Local Municipality continually assesses its contingent assets to ensure that developments are appropriately reflected in the financial statements. Where it does become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements in the period in which the change occurs.

1.24 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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Accounting Policies

1.25 Revenue (continued)

Revenue is recognised when it is probable that future economic benefits or services potential will flow to Randfontein Local Municipality, and when these benefits can be reliably measured.

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, service charges, rentals, interest received, grants from national and provincial government and other services rendered.

Revenue is measured at the fair value of the consideration received or receivable. The amount of revenue arising on a transaction is usually determined by agreement between the Randfontein Local Municipality and the purchaser or user of the asset or service.

Where the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Randfontein Local Municipality derives revenue from exchange and non-exchange transactions.

FIRST DRAFT

Randfontein Local Municipality

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Accounting Policies

1.25 Revenue (continued)

1.25.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Rendering of services

Randfontein Local Municipality recognises revenue from the rendering of services by reference to the stage of completion method when the outcome of the transaction can be measured reliably. The outcome of the transaction can be reliably measured, that is, when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to Randfontein Local Municipality.
- The stage of completion of the transaction at the reporting date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tariffs (Services):

Revenue arising from the provisioning of the services which is based on the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff.

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when billed. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history or deemed consumption for households. The provisional estimates of consumption are recognised as revenue when billed. Adjustments to provisional estimates of consumption are made in the billing period when meters have been read. These adjustments are recognised as revenue in the billing period.

An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of each reporting period. Residential sanitation service charges is based on taking 30kl of water consumption and multiply by applicable tariff for financial year or period. Business sanitation service charges is based on taking the twelve months water consumption multiply by the applicable .Basic Sewerages is based on taking the area size of the property multiply by the applicable tariff.

Service charges relating to refuse removal are recognised on a monthly basis based on 240l bins collected on a weekly basis.

Prepaid electricity:

Revenue from the sale of prepaid electricity is recognised at the point of sale less unused electricity at the end of the financial year.

Income from agency fees

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

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Accounting Policies

1.25 Revenue (continued)

Interest revenue

Interest earned on: Investments are recognised on a time proportionate basis that takes into account the effective yield on the investments. Outstanding debtors are recognised on a time proportionate basis.

Rental of facilities and equipment

Revenue from the rental of facilities and equipment is recognised on a straight line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff and includes the issuing of licences and permits.

Dividends

Dividends are recognised when the municipality's right to receive payment is established.

1.25.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where Randfontein Local Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Property rates

Revenue from property rates is calculated from the date when the legal entitlement to this revenue arises and is recognised when billed. Collection charges are recognised when such amounts are legally enforceable and billed. Penalty interest on unpaid rates is recognised on a time proportion basis. A rating system charging one tariff is employed. Rebates and remissions are granted to certain categories of ratepayers and are recognised net of revenue.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Traffic fines are measured at fair value, which is based on the value of the fines issued, excluding the value of any early settlement discounts that are likely to be taken up by motorists. Interest is not levied on overdue amounts.

Subsequently, Randfontein Local Municipality evaluates the recoverability of these fines to determine the recoverable amount. This takes into account settlement discounts, reductions in the amount payable are offered, past history in terms of the successful prosecution and recovery of the fines.

Donations

Donations are recognised on a cash receipt basis or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the Municipality. Donations are measured at fair value.

Services in-kind

Randfontein Local Municipality does not recognise services in-kind as assets or revenue.

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Accounting Policies

1.26 Borrowing costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs are capitalised over the period during which the asset is being acquired or constructed. Borrowing costs are capitalised net of any investment income received from the temporary investment of those borrowings. Mogale City capitalises borrowing costs commences when:

- borrowing costs have been incurred;
- expenditure has been incurred; and

It undertakes activities that are necessary to prepare the asset for its intended use or sale.

Where Randfontein Local Municipality applies general borrowed funds to obtain a qualifying asset, Randfontein Local Municipality applies a capitalisation rate that reflects the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. This excludes borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised does not exceed the amount of borrowing costs it incurred during that period.

Randfontein Local Municipality suspends capitalisations of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Where the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, Randfontein Local Municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

1.27 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the period the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense.

Should council condone/approve this expenditure, no further action is required.

Where it is determined that this expenditure must be recovered, it is accounted for as revenue in the Statement of Financial Performance. A corresponding asset (receivable) is raised in the Statement of Financial Position which is accounted for in terms of Mogale City's accounting policy on receivables.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue in the same statement.

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or

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Accounting Policies

1.29 Irregular expenditure (continued)

- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was written off before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.30 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.31 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.32 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.33 Related parties

Randfontein Local Municipality regards a related party as a person or an entity with the ability to control the other party individually or jointly, or the ability to exercise significant influence over the other party, or vice versa. While Randfontein Local Municipality is part of Government of South Africa, it is a separate sphere of government. As such the other spheres of government are not considered related parties to Randfontein Local Municipality.

Management is regarded as a related party. Management of Randfontein Local Municipality comprises of all political office bearers of Mogale City and the Executive Management team. Political office bearers comprises of the Executive Mayor, Members of Mayoral Committee, Speaker and other councillors. The executive management team consists of the Municipal Manager, Chief Financial Officer, Chief Operating Officer, Chief Audit Executive and other Executive Managers.

1.34 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

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Accounting Policies

1.34 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.35 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term, highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as current assets. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

1.36 Repairs and Maintenance

Repairs and maintenance are generally charged to expenses during the financial period in which they are occurred. However, major renovations are capitalised and included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

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Figures in Rand

2016

2015

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 18: Segment Reporting	01 April 2017	The impact is not material.
<ul style="list-style-type: none">GRAP 20: Related parties	01 April 2017	The impact is not material.
<ul style="list-style-type: none">GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact is not material.
<ul style="list-style-type: none">GRAP 108: Statutory Receivables	01 April 2016	The impact is not material.
<ul style="list-style-type: none">IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact is not material.
<ul style="list-style-type: none">GRAP 16 (as amended 2015): Investment Property	01 April 2016	The impact is not material.
<ul style="list-style-type: none">GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The impact is not material.
<ul style="list-style-type: none">GRAP 109: Accounting by Principals and Agents	01 April 2017	The impact is not material.
<ul style="list-style-type: none">GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	The impact is not material.
<ul style="list-style-type: none">GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact is not material.
<ul style="list-style-type: none">Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact is not material.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	292	292
Bank balances	9 126 430	442 596
Short-term deposits	77 048 224	31 067 422
	86 174 946	31 510 310

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA - Current account (Primary) - 408 090 6149	6 385 528	4 720 007	3 797 938	4 187 823	2 267 108	(355 191)
ABSA - Current account (Salaries) - 408 090 6204	118 927	52 733	158 356	118 927	52 733	39 709
ABSA - Current account (Actaris) - 408 090 6262	417 997	279 115	282 955	417 999	755	486
ABSA - Current account (Grants) - 408 090 6288	-	-	169	169	169	169
ABSA - Current account (Traffic) - 408 090 6319	3 210 561	1 431 089	1 203 993	4 377 790	(1 878 910)	10 802
ABSA - Current account (Traffic fines) - 408 090 6335	23 722	53 747	-	23 722	742	(159)
Investec - Call account	76 953 587	30 965 472	53 178 725	76 953 587	30 965 472	53 178 725
ABSA - Account - 929 523 5598	94 637	117 170	15 000	94 637	101 949	15 000
Petty cash and cash floats	-	-	-	292	292	3 376
Total	87 204 959	37 619 333	58 637 136	86 174 946	31 510 310	52 892 917

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Figures in Rand	2016	2015
4. Receivables from exchange transactions		
Gross balances		
Electricity	39 751 650	43 031 508
Water	30 088 894	29 740 637
Sewerage	10 128 373	10 010 658
Refuse	9 465 440	9 718 521
VAT	16 721 500	19 059 529
Other	104 243 791	66 543 107
	210 399 648	178 103 960
Less: Allowance for impairment		
Electricity	(20 011 221)	(23 541 033)
Water	(21 121 323)	(21 091 794)
Sewerage	(8 200 015)	(7 980 054)
Refuse	(7 326 819)	(7 350 459)
VAT	(13 209 882)	(15 369 645)
Other	(84 244 006)	(54 949 810)
	(154 113 266)	(130 282 795)
Net balance		
Electricity	19 740 429	19 490 475
Water	8 967 571	8 648 843
Sewerage	1 928 358	2 030 604
Refuse	2 138 621	2 368 062
VAT	3 511 618	3 689 884
Other	19 999 785	11 593 297
	56 286 382	47 821 165
Electricity		
Current (0 -30 days)	19 983 472	19 061 377
31 - 60 days	952 766	1 306 502
61 - 90 days	558 367	609 599
91 - 120 days	515 420	697 258
121 - 365 days	2 998 476	4 487 287
> 365 days	14 743 149	16 969 485
Less: Allowance for impairment	(20 011 221)	(23 641 033)
	19 740 429	19 490 475
Water		
Current (0 -30 days)	7 432 743	7 108 655
31 - 60 days	2 087 856	1 059 719
61 - 90 days	834 076	817 967
91 - 120 days	593 878	767 520
121 - 365 days	4 137 850	4 466 559
> 365 days	15 002 491	15 520 217
Less: Allowance for impairment	(21 121 323)	(21 091 794)
	8 967 571	8 648 843

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
4. Receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	1 676 682	1 544 511
31 - 60 days	491 783	468 898
61 - 90 days	358 846	306 898
91 - 120 days	333 989	255 746
121 - 365 days	1 614 272	1 552 771
> 365 days	5 652 801	5 881 834
Less: Allowance for impairment	(8 200 015)	(7 980 054)
	1 928 358	2 030 604
Refuse		
Current (0 -30 days)	1 966 673	1 903 532
31 - 60 days	569 841	586 919
61 - 90 days	359 788	333 414
91 - 120 days	317 723	261 761
121 - 365 days	1 557 332	1 519 846
> 365 days	4 694 083	5 113 048
Less: Allowance for impairment	(7 326 819)	(7 350 458)
	2 138 621	2 368 062
VAT		
Current (0 -30 days)	3 647 369	3 596 294
31 - 60 days	635 255	582 811
61 - 90 days	353 848	431 656
91 - 120 days	296 301	418 033
121 - 365 days	1 736 861	1 936 812
> 365 days	10 051 866	12 093 922
Less: Allowance for impairment	(13 209 882)	(15 369 644)
	3 511 618	3 689 884
Other receivables from exchange transactions		
Current (0 -30 days)	28 927 724	4 475 378
31 - 60 days	1 768 898	3 444 764
61 - 90 days	1 618 517	5 500 407
91 - 120 days	1 327 022	6 157 254
121 - 365 days	9 030 492	9 197 594
> 365 days	61 571 138	37 767 710
Less: Allowance for impairment	(84 244 006)	(54 949 810)
	19 999 785	11 593 297

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Figures in Rand	2016	2015
4. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	35 999 108	15 391 278
31 - 60 days	5 468 115	6 396 969
61 - 90 days	3 623 731	7 353 901
91 - 120 days	3 055 859	7 982 650
121 - 365 days	18 845 479	19 245 137
> 365 days	100 548 808	87 799 110
	167 541 100	144 169 045
Less: Allowance for impairment	(136 200 247)	(109 192 779)
	31 340 853	34 976 266
Industrial/ commercial		
Current (0 -30 days)	19 817 022	15 032 057
31 - 60 days	862 117	856 938
61 - 90 days	349 483	520 899
91 - 120 days	278 379	365 686
121 - 365 days	2 024 398	2 560 921
> 365 days	10 623 142	4 919 194
	33 954 541	24 255 695
Less: Allowance for impairment	(16 697 977)	(18 371 119)
	17 256 564	5 884 576
National and provincial government		
Current (0 -30 days)	1 598 598	1 176 996
31 - 60 days	176 168	195 706
61 - 90 days	110 229	125 141
91 - 120 days	50 096	109 238
121 - 365 days	205 407	1 354 812
> 365 days	543 576	627 912
	2 684 074	3 589 805
Less: Allowance for impairment	(1 215 042)	(2 718 897)
	1 469 032	870 908
Total		
Current (0 -30 days)	63 634 664	37 689 746
31 - 60 days	6 506 399	7 449 613
61 - 90 days	4 083 442	7 999 941
91 - 120 days	3 384 334	8 457 574
121 - 365 days	21 075 283	23 160 870
> 365 days	111 715 526	93 346 216
	210 399 648	178 103 960
Less: Allowance for impairment	(154 113 266)	(130 282 795)
	56 286 382	47 821 165
Reconciliation of allowance for impairment		
Balance at beginning of the year	(130 282 795)	(108 091 571)
Contributions to allowance	(23 830 471)	(39 293 489)
Debt impairment written off against allowance	-	17 102 265
	(154 113 266)	(130 282 795)

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4. Receivables from exchange transactions (continued)

Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security for liabilities.

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Consumer debtors impaired

As at 30 June 2016 receivables from exchange transactions of R 204 179 713 (2015: R 172 014 545) were impaired and provided for.

The amount of the allowance was R 154 113 266 as of 30 June 2016 (2015: R 130 282 795)..

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Figures in Rand	2016	2015
5. Receivables from non-exchange transactions		
Property rates	24 789 257	24 999 596
Traffic fines	6 520 397	6 520 397
Department of Health	3 055 314	3 055 314
Other receivables	316 527	1 176 770
	34 681 495	35 752 077
Property rates		
The ageing of receivables in respect of Property rates is as follows:		
Current (0 - 30 days)	6 547 161	5 878 940
31 - 60 days	1 256 507	1 635 717
61 - 90 days	1 051 074	1 335 328
91 - 120 days	1 275 473	1 252 221
121 - 365 days	5 539 621	9 482 016
> 365 days	66 111 747	78 597 714
Less: Allowance for impairment	(56 992 326)	(73 182 340)
	24 789 257	24 999 596
Summary of trade and other receivables from non exchange transactions (Property rates) by customer classification:		
Consumers		
Current (0 - 30 days)	4 121 967	3 782 748
31 - 60 days	914 793	908 621
61 - 90 days	798 474	695 996
91 - 120 days	751 571	642 202
121 - 365 days	4 285 962	3 662 813
> 365 days	53 950 783	69 281 839
Less: Allowance for impairment	(43 641 763)	(58 865 392)
	21 181 787	20 108 827
Industrial and business		
Current (0 - 30 days)	2 363 563	1 588 852
31 - 60 days	339 627	229 751
61 - 90 days	251 215	142 045
91 - 120 days	223 518	113 088
121 - 365 days	1 249 973	1 188 396
> 365 days	10 855 976	7 679 484
Less: Allowance for impairment	(12 419 307)	(8 155 605)
	2 864 565	2 786 011
National and provincial government		
Current (0 - 30 days)	61 631	507 340
31 - 60 days	2 087	497 345
61 - 90 days	1 384	497 287
91 - 120 days	300 384	496 930
121 - 365 days	3 686	4 630 807
365 days	1 304 987	1 636 392
Less: Allowance for impairment	(931 256)	(6 161 343)
	742 903	2 104 758
Reconciliation of allowance for impairment		
Opening balance	(73 182 340)	(86 924 397)

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Figures in Rand	2016	2015
5. Receivables from non-exchange transactions (continued)		
Decrease in/ (Contributions to) allowance	16 190 014	13 742 057
	(56 992 326)	(73 182 340)

Traffic fines

Reconciliation of gross balances to net balances

Receivables from traffic fines	6 520 397	11 079 337
Less: Allowance for impairment	-	(4 558 938)
	6 520 397	6 520 399

Reconciliation of allowance for impairment

Opening balance	(4 558 938)	(2 929 071)
Contributions to allowance	-	(1 629 867)
	(4 558 938)	(4 558 938)

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security for liabilities.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Receivables from non-exchange transactions past due but not impaired

At 30 June 2016 no receivables from non-exchange transactions were past due but not impaired (2015: R 871 997).

Receivables from non-exchange transactions impaired

As of 30 June 2016, receivables from non-exchange transactions of R 34 681 495 (2015: R 35 752 077) were impaired and provided for.

The amount of the provision was R 56 992 326 as of 30 June 2016 (2015: R 73 182 340) for Property rates and for Traffic fines was R 4 558 938 as of 30 June 2016 (2015: R 4 558 938).

6. VAT receivable

VAT	17 972 261	7 139 843
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7. Inventories

Consumable stores	3 346 526	3 495 575
Water	258 909	189 852
	3 605 435	3 685 427

Inventory pledged as security

No inventory was pledged as security for facilities.

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Figures in Rand	2016	2015
8. Long term receivables		
Consumer receivables with long term arrangements	5 604 337	6 112 275
Reconciliation of gross balances to net balances		
Long term receivables	27 478 855	30 323 546
Allowance for impairment	(21 874 518)	(24 211 271)
	5 604 337	6 112 275
Reconciliation of allowance for impairment		
Opening balance	(24 211 271)	(28 384 181)
Decrease in allowance for impairment	2 336 753	4 172 910
	(21 874 518)	(24 211 271)
Non current portion	3 833 717	4 312 148
Current portion	1 770 620	1 800 127
	5 604 337	6 112 275

Long term receivables pledged as security

No long term receivables were pledged as security for liabilities.

Credit quality of long term receivables

The credit quality of long term receivables that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Long term receivables past due but not impaired

All long term receivables that are past due were considered to be impaired. At 30 June 2016 all long term receivables that were past due were impaired.

Long term receivables impaired

At 30 June 2016, long term receivables of R 27 478 855 (2015: R 30 323 546) were impaired and provided for. The amount of the provision was R 21 874 518 (2015: R 24 211 271).

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Figures in Rand	2016	2015
9. Investments		
At amortised cost		
Bond investment	11 608 839	10 865 792
The above is a zero coupon bond investment held with Stanlib for a period of 20 years from 2 July 1998		
Non-current assets		
At amortised cost	11 608 839	10 865 792
Investments pledged as collateral		
Collateral		
Carrying value of investments pledged as collateral for borrowings	6 193 294	10 865 792
The above investment has been pledged as security for borrowings with a carrying amount of R 6 193 297 (2015: R 8 090 232). Refer to note 19.		

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Figures in Rand	2016	2015
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10. Biological assets that form part of an agricultural activity

	2016			2015		
	Cost / Valuation	Accumulated impairment	Carrying value	Cost / Valuation	Accumulated impairment	Carrying value
Dairy cattle	662 279	-	662 279	788 424	-	788 424

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Losses arising from changes in fair value	Total
Dairy cattle	788 424	(126 145)	662 279

Reconciliation of biological assets that form part of an agricultural activity - 2015

	Opening balance	Gains arising from changes in fair value	Total
Dairy cattle	754 492	33 932	788 424

Non - Financial information

Mature biological assets

Dairy cattle	108	139
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Immature biological assets

Cows in production	51	62
Cows not in production	31	31
Heifers	19	39
Calves	4	7
	105	139

Pledged as security

No biological assets were pledged as security for liabilities.

Details of valuation

The effective date of the revaluations was 30 June 2016. Revaluations were performed by an independent valuer, Mr Hendrix Nel. Mr Hendrik Nel is not connected to the municipality and has recent experience in the valuation of biological assets.

The valuation was based on open market values.

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Figures in Rand	2016	2015
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11. Investment property

	2016			2015		
	Cost / Valuation	Accumulated impairment	Carrying value	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	219 945 481	-	219 945 481	219 945 481	-	219 945 481

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	219 945 481	219 945 481

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	223 204 263	(3 258 782)	219 945 481

Pledged as security

No investment property was pledged as security for liabilities.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2016. Valuations were performed by an independent valuer, Mr Rob Childs (Professional Engineer Pr Eng Pr CPM). Mr Rob Childs is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

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12. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	242 386 636	(169 083 701)	73 302 935	242 386 636	(164 784 653)	77 601 983
Infrastructure	3 428 206 508	(1 607 269 172)	1 820 937 336	3 428 206 508	(1 561 656 398)	1 866 550 110
Community	368 101 216	(184 856 286)	183 244 930	368 101 216	(178 327 347)	189 773 869
Leased assets	23 091 052	(7 113 891)	15 977 161	-	-	-
Capital work in progress	217 872 455	-	217 872 455	108 223 305	-	108 223 305
Library books	13 089 133	(6 512 368)	6 576 765	10 832 765	(6 512 368)	4 320 397
Other property, plant and equipment	98 609 404	(66 092 178)	32 517 226	98 488 231	(66 723 606)	31 764 625
Total	4 391 356 404	(2 040 927 596)	2 350 428 808	4 256 238 661	(1 978 004 372)	2 278 234 289

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Assets written off	Depreciation	Total
Land and buildings	77 601 983	-	-	(4 299 048)	73 302 935
Infrastructure	1 866 550 110	-	-	(45 612 774)	1 820 937 336
Community	189 773 869	-	-	(6 528 939)	183 244 930
Leased assets	-	23 091 053	-	(7 113 892)	15 977 161
Capital work in progress	108 223 305	109 649 150	-	-	217 872 455
Library books	4 320 397	2 256 368	-	-	6 576 765
Other property, plant and equipment	31 764 625	3 729 590	(285 216)	(2 691 773)	32 517 226
	2 278 234 289	138 726 161	(285 216)	(66 246 426)	2 350 428 808

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Notes to the Unaudited Annual Financial Statements

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	WIP Capitalised	Assets written off	Depreciation	Impairment loss	Total
Land and buildings	83 912 982	-	-	(1 138 855)	(5 172 144)	-	77 601 983
Infrastructure	1 883 100 329	-	39 728 831	(2 531 097)	(53 747 953)	-	1 866 550 110
Community	190 929 850	-	8 809 660	(1 473 425)	(7 771 217)	(720 999)	189 773 869
Leased assets	27 096 328	-	(27 096 328)	-	-	-	-
Capital work in progress	100 450 770	51 188 641	(43 416 106)	-	-	-	108 223 305
Library books	5 831 268	435 705	-	(1 135 253)	(811 323)	-	4 320 397
Other property, plant and equipment	18 793 051	4 102 352	27 096 328	(2 299 011)	(15 928 095)	-	31 764 625
	2 310 114 578	55 726 698	5 122 385	(8 577 641)	(83 430 732)	(720 999)	2 278 234 289

Public contributions and donations

Included in WIP capitalised are donations of R Nil (2015: R 5 122 385).

Assets subject to finance lease (Net carrying amount)

Leased Assets - Motor vehicles and compactors	15 977 161	-
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Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Pledged as security

No property, plant and equipment were pledged as security for liabilities.

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13. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Servitudes	36 039 722	-	36 039 722	36 039 722	-	36 039 722
Computer software	3 065 724	(2 900 979)	164 745	3 065 724	(2 134 548)	931 176
Total	39 105 446	(2 900 979)	36 204 467	39 105 446	(2 134 548)	36 970 898

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Servitudes	36 039 722	-	36 039 722
Computer software	931 176	(766 431)	164 745
	36 970 898	(766 431)	36 204 467

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Servitudes	36 039 722	-	36 039 722
Computer software	1 953 084	(1 021 908)	931 176
	37 992 806	(1 021 908)	36 970 898

Pledged as security

No intangible assets were pledged as security for liabilities.

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Notes to the Unaudited Annual Financial Statements

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14. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Paintings and other artifacts	4 232 263	-	4 232 263	4 232 263	-	4 232 263

Reconciliation of heritage assets 2016

	Opening balance	Total
Paintings and other artifacts	4 232 263	4 232 263

Reconciliation of heritage assets 2015

	Opening balance	Revaluation increase	Total
Paintings and other artifacts	4 116 350	115 913	4 232 263

Pledged as security

No heritage assets were pledged as security for liabilities.

Revaluations

Paintings and other artifacts

The effective date of the revaluation was 2015-06-30. Revaluations were performed by independent valuer, Mr A. Inggs.

Mrs A. Inggs is not connected to the municipality and has recent experience in the valuation of heritage assets. The valuation was based on open market value.

The revaluation will be performed every five years.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand 2016 2015

15. Payables from exchange transactions

Trade payables	226 096 003	157 978 270
Payments received in advanced	4 058 080	3 565 959
Retention monies payable	10 763 154	10 650 269
Stores creditors	614 598	614 598
Accrued leave pay	13 647 325	12 448 454
Accrued bonus	5 816 321	4 960 393
Payroll accruals	3 137 372	2 808 464
Consumer debtors with credit balances	19 391 619	21 107 742
	283 524 472	214 134 149

16. Payables from non-exchange

Unallocated receipts	2 776 069	2 595 001
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The above relates to unknown direct deposits made into the Municipality's bank account.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Human Settlements Grant	31 248 700	-
Gauteng Department of Social Development Grant	9 576 293	9 576 293
Public contribution	3 990 216	3 990 216
Municipal Demarcation Transition Grant	265 936	-
Municipal Infrastructure Grant	-	1 532 959
Electricity Demand Side Management Grant	-	1 040 455
Gauteng Department of Agriculture and Rural Development Grant	-	470 000
Gauteng Department of Corporative Governance Grant	-	27 653
	45 081 145	16 637 576

See note 30 for reconciliation of grants from National/Provincial Government.

18. Consumer deposits

Electricity and water	35 816 446	32 798 691
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Guarantees amounting to R 1 190 578 were provided in respect of water and electricity. (2015: R 1 190 578).

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Figures in Rand	2016	2015
19. Finance lease obligation		
Minimum lease payments due		
- within one year	8 856 710	-
- in second to fifth year inclusive	10 174 164	-
	19 030 874	-
less: future finance charges	(3 281 894)	-
Present value of minimum lease payments	15 748 980	-
Present value of minimum lease payments due		
- within one year	7 716 350	-
- in second to fifth year inclusive	8 032 630	-
	15 748 980	-
Non-current liabilities	8 032 630	-
Current liabilities	7 716 350	-
	15 748 980	-

It is the municipality's policy to lease certain property, plant and equipment under finance leases.

The average lease term was three years and the effective borrowing rate was 9.50% which was the prime lending rate on 29 July 2015 which is the date on which the finance lease commenced.

Interest rates are fixed at the contract date. All leases escalate at 6% p.a and include additional charges for contingent rent based on excess kilometres travelled..

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note to 12.

20. Borrowings

At amortised cost

Development Bank of Southern Africa (DBSA) loan	6 193 294	8 090 231
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Interest rate on the loan is fixed at 15.5% per annum compounded semi annually. The loan period is 20 years. The loan is secured by investments with a carrying amount of R 11 270 745 (2015: R 10 865 692). Refer to note 9.

Non-current liabilities

At amortised cost	3 987 890	6 193 294
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Current liabilities

At amortised cost	2 205 404	1 896 937
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Unaudited Annual Financial Statements for the year ended 30 June 2016

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
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21. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Total
Environmental rehabilitation	5 023 160	5 023 160

Reconciliation of provisions - 2015

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	4 506 522	516 638	5 023 160
Non-current liabilities		5 023 160	3 656 488
Current liabilities		-	1 366 672
		5 023 160	5 023 160

Environmental rehabilitation provision

Estimates of the provision were performed by an independent valuer, Mr Rob Childs (Professional Engineer Pr Eng Pr CPM). Mr Rob Childs is not connected to the municipality and has recent experience in the valuation of provisions for environmental rehabilitation..

The calculated provision for the restoration over the next three years was done using a rate of 10.25% based on the following assumptions:

- closure over four years
- no additional waste will be deposited on site
- compacting the waste body, constructing a 150mm founding and gas drainage layer, CGL, 200mm of completed soil (in 2 x 100mm layers) and covered by 200mm of top soil, with 10% discount, and a 6% escalation.

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22. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Post retirement medical benefits	(80 114 248)	(74 242 228)
Long service awards	(3 062 056)	(3 040 395)
	(83 176 304)	(77 282 623)

Post retirement medical benefits

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death in service or death in retirement, the surviving dependants may continue membership of the medical scheme. Qualifying members receive a post employment subsidy for which the municipality is liable.

The municipality operates an unfunded defined benefit plan for these qualifying employees.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

At the valuation date individuals entitled to a post retirement medical aid subsidy were:

In-service (employee) members:	516 (2015: 475)
In-service (employee) non members:	250 (2015: 298)
Continuation (retiree and widow) members:	45 (2015: 33)

The current service costs are estimated at R 4 640 003 for the current year ending 30 June 2016 (2015: R 4 431 748).

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	74 242 228	66 504 071
Benefits paid	(1 400 316)	(1 302 564)
Net expense recognised in the statement of financial performance	7 272 336	9 040 721
	80 114 248	74 242 228

Net expense recognised in the statement of financial performance

Current service cost	4 640 003	4 431 748
Interest cost	6 660 899	5 942 884
Actuarial gains	(4 028 566)	(1 333 911)
	7 272 336	9 040 721

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,19 %	9,00 %
Health care cost inflation rate	8,29 %	8,00 %
Net effective discount rate	0,84 %	1,00 %

The Average retirement age used was:	60 years	60 years.
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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
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22. Employee benefit obligations (continued)

Long service awards liability

The Municipality offers employees a long service bonus for every complete ten year period of service. The long service awards paid on retirement, resignation or death. The amount payable is reviewed periodically and is assumed to increase in line with expected CPI inflation.

The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet its liability.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit method.

At year end, 766 employees (2015: 746) were eligible for long service awards. The current service cost for the year ending 30 June 2016 is estimated to be R 224 209 (2015: R 226 744).

The expected remaining working lifetime of eligible employees is 14.7 years (2015: 14.7 years).

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.35%	9.22%
Expected inflation	6.95%	6.83%
Net effective discount rate	2.24%	2.23%

Changes in the present value of the long service award obligation are as follows:

Opening balance	(3 040 395)	(3 065 748)
Benefits paid	610 201	511 796
Net expense recognised in the statement of financial performance	(631 862)	(486 443)
	(3 062 056)	(3 040 395)

Net expense of the long service awards obligation recognised in the statement of financial performance:

Current service cost	224 209	226 744
Interest cost	252 729	256 945
Actuarial losses	154 924	2 754
	631 862	486 443

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Figures in Rand 2016 2015

23. Revenue

Sale of stands	4 245 614	-
Service charges	564 476 447	505 406 334
Rental of facilities and equipment	1 885 381	2 104 490
Interest received - outstanding receivables	14 359 592	7 531 093
Agency services	14 207 619	15 415 024
Licences and permits	7 325	12 237
Other income	13 111 017	6 656 710
Interest received - investment	3 825 879	3 096 247
Property rates	104 721 752	105 884 633
Government grants & subsidies	214 962 834	161 382 959
Public contributions and donations	-	5 122 385
Fines	5 647 507	10 387 140
	941 450 967	822 999 252

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	564 476 447	505 406 334
Sale of stands	4 245 614	-
Rental of facilities and equipment	1 885 381	2 104 490
Interest received - outstanding receivables	14 359 592	7 531 093
Agency services	14 207 619	15 415 024
Licences and permits	7 325	12 237
Other income	13 111 017	6 656 710
Interest received - investment	3 825 879	3 096 247
	616 118 874	540 222 135

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	104 721 752	105 884 633
Transfer revenue		
Government grants & subsidies	214 962 834	161 382 959
Public contributions and donations	-	5 122 385
Fines	5 647 507	10 387 140
	325 332 093	282 777 117

24. Service charges

Sale of electricity	423 545 497	379 566 794
Sale of water	81 703 082	70 649 832
Sewerage and sanitation charges	26 885 492	24 942 438
Refuse removal	32 123 321	29 958 111
Other service charges	219 055	289 159
	564 476 447	505 406 334

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Notes to the Unaudited Annual Financial Statements

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25. Rental of facilities and equipment		
Facilities and equipment		
Rental of equipment	63 876	47 139
Rental of buildings	560 552	557 738
Rental of facilities	16 000	22 089
Rental of land	140 042	148 509
Rental of housing	1 104 911	1 329 015
	1 885 381	2 104 490
26. Investment revenue		
Interest revenue		
Bank	3 825 879	3 096 247
27. Other income		
Administration fees	2 653 221	1 700 566
Advertising	452 585	230 247
Building plan fees	1 861 643	1 117 853
Burial fees	867 626	907 128
Clearance certificates	337 053	343 420
Commission received	183 153	1 778
Entrance and membership fees	110 157	67 027
Farming income	50 651	163 024
Insurance claims	2 335 728	658 383
Internet and fax income	5 336	12 505
New electricity connections	113 332	323 382
Photocopying	90 870	86 708
Recovery monies	2 194 544	-
Sale of bins	1 089 450	38 318
Sundry surpluses	97 057	328 826
Tender documents	528 435	555 393
Town planning	118 290	111 068
Traffic control income	21 886	11 084
	13 111 017	6 656 710

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
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28. Property rates

Rates received

Assessment rates	145 443 284	165 777 788
Less: Income forgone	(40 721 532)	(59 893 155)
	104 721 752	105 884 633

Valuations R'000

Residential	8 236 224	8 236 224
Commercial	1 848 312	1 848 312
Other	2 157 504	2 157 504
	12 242 040	12 242 040

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate as approved for in the Property Rates Policy is applied to property valuations to determine assessment rates. Rebates are granted to certain property owners in accordance with the Property Rates Policy.

Rates are calculated on an annual basis, levied monthly and are payable by the 7th day of the following month. Interest as determined by the South African Revenue Services is levied on outstanding rates.

The new general valuation will be implemented on 01 July 2017.

29. Grants and subsidies paid

Other subsidies

Society for the Prevention of Cruelty to Animals (SPCA)	315 000	420 000
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Randfontein Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
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30. Government grants and subsidies

Operating grants

Equitable share	95 613 000	100 395 000
Gauteng Department of Sports, Recreation, Arts and Culture Grant	6 300 000	3 650 000
Finance Management Grant	1 450 000	1 450 000
Aids District Programme	1 208 340	688 608
Gauteng Department of Social Development Grant	5 600 000	10 048 230
Municipal Systems Improvement Grant	930 000	934 000
Expanded Public Works Program	1 500 000	1 318 421
Skills Development Grant	746 664	308 250
Gauteng Department of Corporative Governance Grant	1 777 653	1 567 601
Electricity Demand Side Management Grant	8 000 000	3 962 460
Learnership Grant	-	132 000
Gauteng Department of Agriculture and Rural Development Grant	470 000	-
West Rand District Grant	334 820	-
Municipal Demarcation Transition Grant	1 591 064	-
	125 521 541	124 454 570

Capital grants

Municipal Infrastructure Grant	36 590 000	36 928 389
Integrated National Electrification Programme	22 600 000	-
Municipal Water Infrastructure Grant	9 499 993	-
Human Settlements Grant	9 251 300	-
National Lottery Grant	2 500 000	-
Gauteng Department of Corporative Governance Grant	9 000 000	-
	89 441 293	36 928 389
	214 962 834	161 382 959

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a subsidy of 100% rebate on property rates and taxes, 100% rebate on refuse and sewer tariffs, 100kW electricity and 10KI water.

Gauteng Department of Sports, Recreation, Arts and Culture Grant

Current-year receipts	6 300 000	3 650 000
Conditions met - transferred to revenue	(6 300 000)	(3 650 000)
	-	-

The purpose of the grant is to support the municipality with the administration of libraries.

Finance Management Grant

Current-year receipts	1 450 000	1 450 000
Conditions met - transferred to revenue	(1 450 000)	(1 450 000)
	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity in the municipality to implement the municipal finance management act (MFMA).

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
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30. Government grants and subsidies (continued)

Aids District Programme

Current-year receipts	1 208 340	688 608
Conditions met - transferred to revenue	(1 208 340)	(688 608)
	-	-

The purpose of the grant is to enhance awareness programmes offered communities to prevent and mitigate the impact of HIV/Aids.

Gauteng Department of Social Development

Balance unspent at beginning of year	9 576 293	11 124 523
Current-year receipts	5 600 000	8 500 000
Conditions met - transferred to revenue	(5 600 000)	(10 048 230)
	9 576 293	9 576 293

The purpose of the grant is to promote social development within the communities.

Municipal Systems Improvement Grant

Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	-

The purpose of the grant is to assist the municipality to perform its functions and stabilize institutional and governance system as required in the Municipal Systems Act and related legislation.

Expanded Public Works Program

Current-year receipts	1 500 000	1 318 421
Conditions met - transferred to revenue	(1 500 000)	(1 318 421)
	-	-

The purpose of the grant is to provide expanded public works programme funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximized.

Skills Development Grant

Current-year receipts	746 664	308 250
Conditions met - transferred to revenue	(746 664)	(308 250)
	-	-

The purpose of the grant is to provide skills development within the municipality.

Gauteng Department of Corporative Governance Grant

Balance unspent at beginning of year	27 653	595 254
Current-year receipts	1 750 000	1 000 000
Conditions met - transferred to revenue	(1 777 653)	(1 567 601)
	-	27 653

The purpose of other grants is to assist the municipality to perform its functions and stabilize institutional and governance systems as required in the Municipal Systems Act and related legislation.

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Figures in Rand	2016	2015
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30. Government grants and subsidies (continued)

Electricity Demand Side Management Grant

Balance unspent at beginning of year	1 040 455	2 914
Current-year receipts	8 000 000	5 000 001
Conditions met - transferred to revenue	(8 000 000)	(3 962 460)
Refunded to National treasury	(1 040 455)	-
	-	1 040 455

The purpose of this grant is to enhance energy saving within the municipality area of jurisdiction.

Learnership Grant

Current-year receipts	-	132 000
Conditions met - transferred to revenue	-	(132 000)
	-	-

The purpose of the grant is to recruit unemployed graduates in municipalities to be trained as per the requirements of the relevant statutory council/ professional body within the built environment.

Gauteng Department of Agriculture and Rural Development Grant

Balance unspent at beginning of year	470 000	-
Current-year receipts	-	470 000
Conditions met - transferred to revenue	(470 000)	-
	-	470 000

The purpose of the grant is to assist the municipality with rural development programmes.

West Rant District Grant

Current-year receipts	334 820	-
Conditions met - transferred to revenue	(334 820)	-
	-	-

The purpose of this grant is to assist the Municipality with the maintenance of farming equipment.

Municipal Demarcation Transition Grant

Current-year receipts	1 857 000	-
Conditions met - transferred to revenue	(1 591 064)	-
	265 936	-

The purpose of this grant is to finance the expenditure in relation to the merger process of Randfontein Local Municipality and Westonaria Local Municipality.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
30. Government grants and subsidies (continued)		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	1 532 959	6 197 349
Current-year receipts	36 590 000	35 567 000
Conditions met - transferred to revenue	(36 590 000)	(36 928 390)
Refunded to National treasury	(1 532 959)	(3 303 000)
	-	1 532 959

The purpose of the grant is to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprise and social institutions servicing poor communities.

R 1 532 959 (2015: R 3 303 000) represents amounts refunded to National Treasury by way of deduction from the municipality's equitable share in 2015. This related to unapproved applications for the roll over of unspent municipal infrastructure grants in 2014.

Integrated National Electrification Programme

Current-year receipts	22 600 000	-
Conditions met - transferred to revenue	(22 600 000)	-
	-	-

The purpose of this grant is to address the electrification backlog of permanently occupied residential dwellings.

Municipal Water Infrastructure Grant

Current-year receipts	9 499 993	-
Conditions met - transferred to revenue	(9 499 993)	-
	-	-

The purpose of this grant is to supplement the gaps, and focusing on functionality of water infrastructure.

Human Settlements Grant

Current-year receipts	40 500 000	-
Conditions met - transferred to revenue	(9 251 300)	-
	31 248 700	-

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to provide funding for the creation of sustainable human settlements.

National lottery grant

Current-year receipts	2 500 000	-
Conditions met - transferred to revenue	(2 500 000)	-
	-	-

The purpose of this grant is to upgrade sports and recreation facilities in Randfontein.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
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30. Government grants and subsidies (continued)

Department of Corporative Governance Grant

Current-year receipts	9 000 000	-
Conditions met - transferred to revenue	(9 000 000)	-
	-	-

The purpose of the grant is to assist the municipality with the installation of internal reticulation infrastructure services in Mohlakeng extension 5, Randfontein.

Public contribution

Balance unspent at beginning of year	3 990 216	3 990 216
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Conditions still to be met - remain liabilities (see note 17).

The purpose of the public contribution is to assist in minimising infrastructure backlog.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
31. Employee related costs		
Acting allowances	343 741	75 298
Basic	151 608 170	142 897 985
Bonus	10 331 475	10 341 860
Casual labour	84 065	720 497
Cellphone allowance	1 165 313	1 244 507
Defined contribution plans	26 021 752	25 052 468
Group Insurance	343 284	333 614
Housing benefits and allowances	1 783 744	1 542 023
Leave pay provision charge	6 901 981	7 200 997
Medical aid - company contributions	16 433 838	11 611 077
Other allowances	373 071	196 801
Overtime payments	10 313 206	8 643 519
Skills Development Levy (SDL)	1 827 061	1 529 387
Stand by allowance	319 850	306 740
Study assistance	543 100	706 584
Travel, motor car, accommodation, subsistence and other allowances	8 178 115	5 488 215
Unemployment Insurance Fund (UIF)	1 222 522	1 074 785
	237 794 288	218 966 357

Included in the above employee costs is the remuneration of the Municipal Manager and Directors reporting directly to the Municipal Manager which are detailed below.

Remuneration of Municipal Manager: Steyn L (Acting)

Annual Remuneration	1 079 557	1 061 824
Travel and other allowances	387 926	374 279
Contributions to UIF, Medical and Pension Funds	13 870	71 818
	1 481 353	1 507 921

The above director took the position of Acting Municipal Manager on 01 July 2014.

Remuneration of Chief Financial Officer: F Khan (Acting)

Annual Remuneration	770 113	888 631
Travel and other allowances	607 931	314 791
Contributions to UIF, Medical and Pension Funds	92 528	1 785
	1 470 572	1 205 207

The Chief Financial Officer, Mr S.M. Kgatla, was appointed on 07 February 2014 and resigned on 31 August 2015. Ms N. Madonsela was appointed Acting Chief Financial Officer in September 2015 to 30 April 2016. From 01 May 2016 Mr. F. Khan was appointed to be the Acting Chief Financial Officer.

Remuneration of Director Infrastructure: Nkambule BE

Annual Remuneration	979 469	947 873
Travel and other allowances	301 079	254 968
Contributions to UIF, Medical and Pension Funds	12 283	1 785
	1 292 831	1 204 626

The above director was appointed on 01 March 2014.

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Figures in Rand	2016	2015
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31. Employee related costs (continued)

Remuneration of Acting Director Corporate Support Services: Mosina C (Acting)

Annual Remuneration	723 517	710 936
Travel and other allowances	836 542	430 051
Contributions to UIF, Medical and Pension Funds	28 836	1 784
	1 588 895	1 142 771

During the year, Mr. C. Mosina was Acting Director of Corporate Support Services and has been acting since 01 July 2014. This position was occupied by Mr. L. Steyn who is Acting Municipal Manager.

Remuneration of Director Public Safety: Mampondo KM

Annual Remuneration	527 189	627 701
Travel and other allowances	176 962	258 693
Contributions to UIF, Medical and Pension Funds	150 578	63 022
	854 729	949 416

The above director is acting in this position from 01 December 2013.

Remuneration of Director Social Services: Matshego TMM

Annual Remuneration	959 497	943 118
Travel and other allowances	314 312	280 898
Contributions to UIF, Medical and Pension Funds	12 206	1 785
	1 286 015	1 225 801

The above director was appointed on 01 March 2014.

Remuneration of Director Development and Planning: Moloi JT

Annual Remuneration	939 634	909 324
Travel and other allowances	301 006	275 518
Contributions to UIF, Medical and Pension Funds	11 335	56 485
	1 251 975	1 241 327

The above director was appointed on 01 August 2010.

The remuneration of staff is within the upper limits of the South African Local Government Association (SALGA) Bargaining Council determinations.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
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32. Remuneration of councillors

Councillors	19 446 149	16 224 527
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The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

2016	Appointment date	Annual remuneration	Travel and other allowances	Total
Khumalo ME (Executive Mayor)	01 June 2011	786 557	276 296	1 062 853
Mahuma B (Speaker)	01 March 2006	629 647	199 148	828 795
Grobler MC (MMC)	06 December 2000	590 299	168 442	758 741
Matuwane PT (MMC)	06 December 2000	590 299	168 442	758 741
Ntsepo X (MMC)	01 March 2006	590 299	168 442	758 741
Legoete YI (Council Whip)	01 October 2008	590 299	168 442	758 741
Matshuisa LS (MMC)	01 June 2011	590 299	168 442	758 741
Sampson A (MMC)	01 June 2011	590 299	168 442	758 741
Matakane SS (MMC)	01 March 2006	590 299	168 442	758 741
Kimane MT (MMC)	01 June 2011	590 299	168 442	758 741
Gama ML (MMC) Resigned in April	01 January 2015	491 916	140 368	632 284
Nqina VN (MMC)	01 May 2016	97 941	20 376	118 317
Matshogo FO (MPAC)	01 December 2010	550 943	137 735	688 678
Handula SS	06 December 2000	237 234	80 177	317 411
Rooskrantz BS	01 June 2011	237 234	80 177	317 411
May S	01 June 2011	237 234	80 177	317 411
Mavuso TBN	01 March 2010	237 234	80 177	317 411
Erasmus GA	01 December 2003	237 234	80 177	317 411
Harrison C	21 November 2004	237 234	80 177	317 411
Du Plessis EP	27 October 2005	237 234	80 177	317 411
Bezuidenhout GP	01 March 2006	237 234	80 177	317 411
Mananiso T	01 March 2006	237 234	80 177	317 411
Cloete D	01 June 2011	237 234	80 177	317 411
Beaufort EJR	01 May 2009	237 234	80 177	317 411
Nawa SW	01 May 2010	237 234	80 177	317 411
Faku PK	01 June 2011	237 234	80 177	317 411
Mbangeni MJ	01 June 2011	237 234	80 177	317 411
Ndebele GM	01 June 2011	237 234	80 177	317 411
Mapena PS	01 June 2011	237 234	80 177	317 411
Mogale MD	01 June 2011	237 234	80 177	317 411
Dick P	01 June 2011	237 234	80 177	317 411
Van Tonder AJ	01 June 2011	237 234	80 177	317 411
Sello MM	01 March 2012	237 234	80 177	317 411
Kruger G	01 June 2011	237 234	80 177	317 411
Simon P	01 June 2011	237 234	80 177	317 411
Matebesi B	01 June 2011	237 234	80 177	317 411
Bogale MJ	01 June 2011	237 234	80 177	317 411
Kutoane MJ	01 June 2011	237 234	80 177	317 411
Francis PL	01 June 2011	237 234	80 177	317 411
Dreyer BC	01 September 2012	237 234	80 177	317 411
Bock SM	01 November 2012	237 234	80 177	317 411
De Lange EW	01 February 2014	237 234	80 177	317 411
Mogapi KD	01 June 2011	237 234	80 177	317 411
Didiza-ndlela NI	01 June 2014	237 234	80 177	317 411
Mtyotywa MM	01 June 2014	237 234	80 177	317 411
		14 870 884	4 687 123	19 558 007

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32. Remuneration of councillors (continued) 2015

	Appointment date	Annual remuneration	Travel and other allowances	Total
Thebenare SE (Former Executive Mayor)	01 March 2006	398 583	163 332	561 915
Khumalo ME (Executive Mayor)	01 June 2011	557 597	190 198	747 795
Grobler MC (MMC)	06 December 2000	476 590	161 410	638 000
Matuwane PT (MMC)	06 December 2000	476 590	161 410	638 000
Ntsepo X (MMC)	01 March 2006	476 590	161 410	638 000
Mahuma B (Speaker)	01 March 2006	489 022	164 518	653 540
Legoete YI (Council Whip)	01 October 2008	476 590	161 410	638 000
Matshuisa LS (MMC)	01 June 2011	476 590	161 410	638 000
Sampson A (MMC)	01 June 2011	476 590	161 410	638 000
Matakane SS (MMC)	01 March 2006	476 590	161 410	638 000
Kimane MT (MMC)	01 June 2011	476 590	161 410	638 000
Gama ML (MMC)	01 January 2015	186 509	53 583	240 092
Matshogo FO (MPAC)	01 December 2010	427 354	145 995	573 349
Handula SS	06 December 2000	192 070	77 086	269 156
Rooskrantz BS	01 June 2011	192 070	77 086	269 156
May S	01 June 2011	192 070	77 086	269 156
Mavuso TBN	01 March 2010	192 070	77 086	269 156
Erasmus GA	01 December 2003	192 070	77 086	269 156
Harrison C	21 November 2004	192 070	77 086	269 156
Du Plessis EP	27 October 2005	192 070	77 086	269 156
Bezuidenhout GP	01 March 2006	192 070	77 086	269 156
Mananiso T	01 March 2006	192 070	77 086	269 156
Cloete D	01 June 2011	192 070	77 086	269 156
Beaufort EJR	01 May 2009	192 070	77 086	269 156
Nawa SW	01 May 2010	192 070	77 086	269 156
Faku PK	01 June 2011	192 070	77 086	269 156
Mbangeni MJ	01 June 2011	192 070	77 086	269 156
Ndebele GM	01 June 2011	192 070	77 086	269 156
Mapena PS	01 June 2011	192 070	77 086	269 156
Mogale MD	01 June 2011	192 070	77 086	269 156
Dick P	01 June 2011	192 070	77 086	269 156
Van Tonder AJ	01 June 2011	192 070	77 086	269 156
Sello MM	01 March 2012	192 070	77 086	269 156
Kruger G	01 June 2011	192 070	77 086	269 156
Simon P	01 June 2011	192 070	77 086	269 156
Matebesi B	01 June 2011	192 070	77 086	269 156
Bogale MJ	01 June 2011	192 070	77 086	269 156
Kutoane MJ	01 June 2011	192 070	77 086	269 156
Francis PL	01 June 2011	192 070	77 086	269 156
Dreyer BC	01 September 2012	192 070	77 086	269 156
Bock SM	01 November 2012	192 070	77 086	269 156
De Lange EW	01 February 2014	192 070	77 086	269 156
Mogapi KD	01 June 2011	192 070	77 086	269 156
Beaufort EJR	01 May 2009	192 070	77 086	269 156
		11 825 955	4 398 572	16 224 527

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.

The Executive Mayor has two full-time bodyguards and the Speaker has one full-time bodyguard.

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33. Depreciation and amortisation		
Property, plant and equipment	66 245 623	83 430 735
Intangible assets	767 237	1 021 908
	67 012 860	84 452 643
34. Impairment of assets		
Impairments		
Property, plant and equipment	-	720 999
35. Finance costs		
Trade and other payables	17 024 716	19 403 265
Finance leases	353 331	276 089
Current borrowings	1 149 871	1 280 000
	18 527 918	20 959 354
36. Debt impairment		
Bad debts written off	4 891 583	17 102 265
Contributions from receivables from exchange transactions	21 493 717	18 018 313
Contributions from receivables from non-exchange transactions	(16 190 014)	(12 112 189)
	10 195 286	23 008 389
37. Bulk purchases		
Electricity	345 034 158	304 243 420
Water	66 360 577	58 876 772
	411 394 735	363 120 192
38. Contracted services		
Credit cost control	7 049 163	6 013 643
Private contractor	1 144 283	1 426 582
Pre paid vending cost	12 404 300	7 494 388
Security services	12 534 461	9 541 241
Westonaria sewerage disposal	9 400 000	8 947 368
	42 532 207	33 423 222

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39. General expenses		
Advertising	1 138 645	639 121
Audit committee costs	402 487	301 331
Auditors remuneration	6 031 089	4 792 966
Bank charges	4 268 041	4 515 723
Burial expenses	289 939	121 101
Bursary expenses	3 066 395	1 492 456
Cleaning	456 621	266 157
Community support programs	969 957	451 721
Conferences and seminars	5 250	14 686
Consulting and professional fees	7 960 729	7 817 810
Consumables	416 474	462 013
Crime prevention programmes	188 000	-
Delegation	192 751	174 801
Electricity	6 448 807	4 762 565
Employee Assistance Program and OHSA	424 058	301 868
Entertainment	11 523	30 538
Expanded public works programme	7 717 021	6 249 158
Farming	104 599	141 438
Fuel and oil	5 595 687	4 553 521
IDP budget process	127 257	64 247
IT expenses	567 562	990 279
Insurance	2 635 930	1 891 193
LED expenses	232 173	169 985
Magazines, books and periodicals	371 315	213 099
Marketing and communication	404 604	136 970
Motor vehicle expenses	837 012	1 285 247
Municipal events and improvement	3 280 830	1 310 771
Performance management	700 000	-
Pest control	252 396	229 981
Postage and courier	1 640 133	1 299 734
Printing and stationery	873 233	827 788
Projects	1 152 992	995 581
Protective clothing (uniforms)	1 961 406	1 299 338
Provision for regional master plan	-	76 456
Public participation	364 744	355 781
R1 for R1 settlement	1 495 953	1 450 483
Refuse bins	38 289	69 912
Removal of illegal dumping	47 685	257 372
Rental expenses	3 020 434	3 679 940
Sewerage and waste disposal	3 941	4 247
Software license fees	2 956 205	1 772 854
SRAC Activities	818 086	136 461
Sports, parks and recreation facilities	769 568	153 644
Subscriptions and membership fees	2 816 086	2 353 845
Sundry shortages	390	214 364
Telephone and fax	1 642 070	1 583 017
Town planning	-	121 313
Traffic control expense	505 813	29 020
Training	2 529 136	1 287 838
Valuation expenses	21 847	32 294
Ward committee	1 300 336	1 372 539
	79 055 499	62 754 567

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
40. Fair value adjustments		
Investment property	-	(3 258 782)
Biological assets	(126 145)	33 932
	(126 145)	(3 224 850)
41. Cash generated from operations		
Surplus (deficit)	21 003 367	(34 329 771)
Adjustments for:		
Depreciation and amortisation	67 012 860	84 452 643
Fair value adjustments	126 145	3 224 850
Finance costs - Finance leases	353 331	276 089
Impairment deficit	-	720 999
Debt impairment	10 195 286	23 008 389
Movements in retirement benefit assets and liabilities	5 893 681	7 712 804
Movements in provisions	-	516 638
Public contributions and donations	-	(5 122 385)
Changes in working capital:		
Inventories	79 992	721 166
Consumer debtors	(18 660 503)	(25 913 112)
Receivables from non-exchange transactions	1 070 582	(7 919 860)
Prepayments	2 566 942	(531 405)
Other receivables from non exchange transactions	-	1 316 620
Payables from exchange transactions	69 390 321	(6 440 044)
VAT	(10 832 418)	(2 733 297)
Taxes and transfers payable (non exchange)	181 068	109 894
Unspent conditional grants and receipts	28 443 569	(5 272 680)
Consumer deposits	3 017 755	2 856 501
Assets written off	285 216	8 577 641
	180 127 194	45 231 680

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
42. Commitments		
Authorised capital expenditure		
Already approved and contracted for		
• Capital expenditure	26 736 897	31 648 288
• Operating expenditure	7 436 835	-
	34 173 732	31 648 288

This committed expenditure relates to capital and operating expenditure contracts and will be financed by grants and own revenue.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	944 947	627 000
- in second to fifth year inclusive	816 175	992 750
	1 761 122	1 619 750

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating commitments will be financed by external sources.

Included in operating deficit is minimum lease payments of R 446 719 (2015: R 627 000). There were no contingent lease payments or sublease payments.

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Notes to the Unaudited Annual Financial Statements

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43. Contingencies		
Claim by Sidas Mobotwane to prevent the municipality from awarding a tender	23 000 000	23 000 000
Claim by Lubbe Construction for non-payment for services rendered	16 672 305	16 672 305
Possible claim for performance bonuses for Randfontein Local Municipality managers	9 578 617	3 720 538
Claim by Mr Grobler against the municipality for eviction application	6 500 000	6 500 000
Claim by employees due to differences in salary notches.	5 115 397	-
Claim by Quill Associates for continuous use of computer software even after termination of contract and outstanding fees for maintenance services rendered.	4 731 000	4 731 000
Claim by M. Mogabi for unfair labour practice	2 500 000	-
Claim by Pipe Jack for services rendered	2 394 103	2 394 103
Claim by Van Greunen Ann Marie for damages and loss of income due to negligence that caused the death of her husband.	1 698 928	1 698 928
Claim by Enzani Technologies for services rendered	1 597 226	1 597 226
Claim by SAMWU for employees on fixed term contracts to be made permanent	1 293 239	-
Claim by Marina Nolte for injuries sustained in June 2004	1 200 000	1 200 000
Claim by Muaz Dlodla Decor and Projects for the outstanding payment for the services rendered to the municipality	851 400	851 400
Claim by Maureen Sila as a result of failure to have covered/repared an open manhole that she fell into.	773 000	773 000
Claim by Aranda Textile for loss of income due to power outages	612 513	612 513
Claim by Thembakazi Buso as a result of failure to have covered/repared an open manhole that she fell into.	550 000	550 000
Claim by Ipeleng Magdelene Letsholo for an injury caused by an open manhole in porges street randfontein.	500 000	-
Claim by Mahlaba Ramogohlo Welhemina as a result of failure to have covered/repared an open manhole that she fell into	400 000	400 000
Claim by Mokoduo Incorporated for legal services rendered.	399 595	399 595
Claim by Matlakala Martha Kgarudi as a result of failure to have covered/repared an open manhole that she fell into.	360 000	360 000
Claim Seshibe Makiletjie Gideon damages caused by an alleged assault by the municipality traffic officers	300 000	-
Claim by Thabo P Mthembu for damages for an unlawful arrest, damages to property and legal fees	237 000	237 000
Claim by Van Der Westhizen for review of SALGBC late ruling	150 000	-
Claim by Mokhele in respect of the interpretation of collective agreement.	140 000	140 000
Claim by B. Mlawuli for unfair dismissal	108 000	-
Claim by L.C.M. Orton for unlawful/wrongful arrest	100 000	100 000
Claim by David Moeletsia against the municipality for car damages by the municipality's employee.	95 340	95 340
Claim by PPB Mosing for damages due to municipality's failure to clear a refuse dump	87 410	87 410
Claim by C Heinz due to unfair labour practice	81 250	100 000
Claim J Jansen Van Rensburg for damage due to unmarked speed humps	73 101	-
Claim by W. Ramanyai for a matter of unfair labour practice	53 292	-
Claim by Christo Dekker as a result of failure to have covered/repared an open manhole that he fell into.	50 000	50 000
Claim by B. Munyai for unfair labour practice	50 000	-
Claim by Maria Le Roux for damage due to potholes	35 754	35 754
Claim by Me Gladys Mahobane iro personal injury resulting from roads and storm water construction activities	34 300	34 300
Claim by R J Panelbeaters against the municipality for services rendered.	31 831	31 831
Claim by H Kluyts for damages to a vehicle as a result of traffic signs that were not properly marked	25 606	25 606
Claim H Beukes for damage from pothole.	19 958	-
Claim H Tswale for damage from pothole.	15 317	-
Claim by Wyvand Swart for damages to vehicle caused by a pothole on the main road close to Lafarge, Randfontein.	15 134	-
Claim D Makete for damage from pothole.	13 109	-
Claim J Makunyula for damage from pothole.	10 142	-
Claim D Molosi for damage from pothole.	8 700	-

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Figures in Rand	2016	2015
43. Contingencies (continued)		
Claim P Moatshe for damage from pothole.	8 500	-
Claim by SM Thabalaka for TP vehicle damage due to potholes	8 406	8 406
Claim N Lentsa for damage from pothole.	7 031	-
Claim P Masebe for damage from pothole.	6 114	-
Claim F Blignaut for damage from pothole.	6 067	-
Claim J Maluleka for damage from pothole.	6 045	-
Claim D Coetzee for damage from pothole.	5 912	-
Claim N Lutchman for damage from pothole.	5 684	-
Claim T Moabelo for damage from pothole.	4 840	-
Claim A Janse Van Rensburg for damage from pothole.	3 910	-
Claim L Nicolson for damage from pothole.	3 605	-
Claim C Malebanye for damage from pothole.	3 400	-
Claim S Tuck for damage from pothole.	3 190	-
Claim R Letswere for damage from pothole.	3 150	-
Claim F Sekwale for damage from pothole.	2 960	-
Claim by D Jacobs for accident with Council vehicle	2 320	-
Claim A Obusitse for damage from pothole.	2 000	-
Claim C Fonseca for damage from pothole.	2 000	-
Claim A Mathibe for damage from pothole.	1 907	-
Claim W Pienaar for damage from pothole.	1 900	-
Claim T Mongale for damage from pothole.	1 775	-
Claim by PJ De Wet for TP vehicle damage due to potholes	1 550	1 550
Claim by Me Lorette Grové in respect of third party injury	1 483	1 483
Claim J Opperman for damage from pothole.	1 200	-
Claim M Smith for damage from pothole.	1 200	-
Claim O Mokobane for damage from pothole.	1 100	-
Claim M Maditse for damage from pothole.	1 060	-
Claim S Mabaso for damage from pothole.	1 050	-
Claim N Madito for damage from pothole.	1 035	-
Claim J Dingiswayo for damage from pothole.	970	-
Claim Y Rothman for damage from pothole.	930	-
Claim V Maseko for damage from pothole.	850	-
Claim D Coetzee for damage from pothole.	835	-
Claim L Ntsepo for damage from pothole.	790	-
Claim B Mofulatsi for damage from pothole.	720	-
Claim by S. Makhale in respect of unfair dismissal.	-	2 925 000
Claim by Me Lorette as a result of failure to have covered/repared an open manhole that she fell into.	-	550 000
Claim by TM Security due to tender cancellation by the Municipality	-	309 634
Claim by Yebo Gogo motors for storage.	-	97 844
Claim by J. Kolo in respect of unfair dismissal.	-	39 106
Claim by Sivenkosi Nandise for damages due to negligent driving by an employee of the municipality.	-	35 887
Claim by Johannes Hendrikus Lensley for car damages due to pothole	-	28 194
Claim by Hendrick Botha for car damages due to a pot hole	-	19 573
Claim by Marie Coetzee for damage due to potholes	-	13 999
Claim by Pieter Nel for damage due to potholes	-	13 774
Claim by Nick Taljaard as result of a pothole.	-	6 974
Claim by Fellesta Philander for damage due to potholes	-	6 650
Claim by Neville Miller due to motor vehicle accident	-	4 925
Claim by Harry Tshwale for damage due to potholes	-	4 900
Claim by Phineas Pitso for damage due to potholes	-	4 790
Claim by Zacharias du Plessis for damage due to potholes	-	2 150
Claim by Mzola Ramba for damage due to potholes	-	2 003
Claim by Edward John Barkley for damage due to potholes	-	1 995
Claim by Hoosen Ravat for damage due to potholes	-	1 991
Claim by Jacob van Wyk for damage due to potholes	-	1 950
Claim by Willem Wessels for damage due to potholes	-	850
Claim by Magdalena Reynecke for damage due to potholes	-	750

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Figures in Rand	2016	2015
43. Contingencies (continued)		
Claim by Tseketseke Mohapi for damage due to potholes	-	560
	82 568 056	70 482 787

44. Related parties

Relationships	
Accounting Officer	Refer to note 31
Executive Mayor	Refer to note 32
Speaker	Refer to note 32
Council Whip	Refer to note 32
Councillors	Refer to note 31
Inter governmental relations	Refer to note 29
Members of key management	Refer to note 30
Employees and organisations in which they have a direct or indirect material interest	Refer to related party transactions below

Purchases from / (sales to) related parties: Organisations in which councillors and/or employees have a direct or indirect material interest:

Shumba Event Solutions CC	199 700	60 200
Ray Joe Funeral Palour	11 000	12 500
Frecajoy Security CC	-	5 130
Andre Rossouw Motors	899 057	4 252 888
Tiro Ya Sechaba Projects	2 896 561	544 024
Side Point Trading 283	-	197 399
S & M Water Solutions	3 606 021	2 084 425
Kush Trans	-	14 000
	7 612 339	7 170 566

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2015

45. Prior period errors

Receivables from exchange transactions was for revenue from sale of conventional water and electricity that was not accounted for estimates of consumption between the last date of consumption and 30 June 2015 resulting in receivables from exchange transactions being understated by R 2 798 980 for water and R 2 590 134 for electricity.

VAT receivable was increased by R 122 010 relating to invoices that were not accounted for in 2014/15.

Prepayments were increased by R 2 393 967, due to SALGA membership subscription for 2015/16 that was incorrectly expensed in 2014/15 instead of being expenditure paid in advance.

Property, Plant and Equipment was adjusted for the following:

- Mayoral chains with a cost of R 2 235 600 and accumulated depreciation of R 529 650 were reclassified as heritage assets and accumulated depreciation was reversed through accumulated surplus.
- Capital work in progress amounting to R 104 195 was omitted from the financial system in prior year.
- Other property plant was misstated due to donated assets were previously accounted for with amounts that could not be supported resulting in the reversal of the amount and accounting for them with values performed by professional valuer. The net amount of R 797 143 was reversed and accounted for R 708 917.
- Other property plant and equipment was increased by R 379 783 and R 28 359 due to movable assets that had not been previously accounted for.
- Other property plant and equipment was increased by R 173 462 due to movable assets that were incorrectly written off in 2014/15.

Heritage assets was adjusted for the following:

- Increased by R 2 235 600 due to the reclassification of mayoral chains.
- Increased by R 60 000 due heritage assets that had not been previously accounted for.

Payables from exchange transactions were adjusted for the following:

- Retentions were increased by R 104 195 which was omitted from the financial system in the prior year.
- Accrued leave was understated by R 2 289 169 as a result of an amount not correctly captured in the prior year financial statements.
- Trade payables were understated by R 1 619 206 relating to invoices that were not accounted for.

Unspent conditional grants and receipts were decreased by R 427 500 which was an amount spent as at 30 June 2015 that had not been recognised as revenue in 2014/15.

Consumer deposits were increased by R 1 190 578 due to an incorrect accounting treatment of guarantees when the Municipality migrated financial systems.

Provisions non-current portion was decreased by R 3 720 538 due to performance bonuses that were disclosed as contingent liabilities.

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45. Prior period errors (continued)

Opening Accumulated surplus was adjusted for the following:

- Investment property was derecognised incorrectly in the loss on disposal amounting to R 20 497 207 in prior year instead of being derecognised in the accumulated surplus.
- Mayoral chains opening accumulated depreciation of R 306 231 was reversed due to the reclassification to heritage assets which are not depreciated.
- Adjustments to consumer deposits resulted in the decrease in accumulated surplus by R1 190 578.
- SALGA membership subscription amounting to R 2 288 645 for 2014/15 was incorrectly expensed in 2013/14 instead of being expenditure paid in advance.
- Revenue from conventional water and electricity was not accounted for estimates of consumption between the last date of consumption and 30 June 2015 resulting in opening accumulated surplus being understated by R 3 010 578 for water and R 1 838 634 for electricity.
- Other property plant was misstated due to donated assets that were previously accounted for with amounts that could not be supported resulting in the reversal of the amount and accounting for them with values performed by professional valuer. The net amount of R 797 143 was reversed and accounted for R 708 917.
- Was increased by R 379 783 and 28 359 due to other property plant and equipment that had not been previously accounted for and R 60 000 for heritage assets.

Service charges was adjusted for the following:

- They were decreased by R 30 562 317 due to an incorrect accounting treatment of revenue forgone that was previously included in general expenses.
- Revenue from conventional water and electricity was not accounted for estimates of consumption between the last date of consumption and 30 June 2015 resulting in sale of water being overstated by R 211 598 and sale of electricity being understated by R 751 500.

Rental of facilities and equipment were decreased by R 48 645 due to an incorrect accounting treatment of revenue forgone that was previously included in general expenses.

Other income was adjusted for the following:

- Farming income amounting to R 163 024 was reclassified to other income.
- Traffic control, town planning, commission incomes amounting to R 93 886 were incorrectly accounted for by netting off general expenses.
- Actuarial gains amounting to R 1 331 157 were reclassified as a separate line item in the statement of financial performance as it does not qualify to be operating income of the municipality.

Farming income amounting to R 163 024 was reclassified to other income.

Property rates were decreased by R 489 235 due to an incorrect accounting treatment of revenue forgone that was previously included in general expenses.

Government grants and subsidies were increased by R 427 500 due to revenue that was not recognised in the prior year.

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2015

45. Prior period errors (continued)

Employee related costs were adjusted for the following:

- Accrued leave adjustment increased employee related costs by R 2 289 169.
- Reclassification of performance bonuses to contingent liabilities decreased employee related costs by R 3 720 538.
- Bargaining council expenditure amounting to R 861 were reclassified to employee related costs instead of general expenses.

Depreciation and amortisation was adjusted for the following:

- An amount of R 720 999 was included in depreciation and amortisation instead of being separately disclosed as impairment loss.
- Mayoral chains' annual depreciation of R 223 419 was reversed due to the reclassification to heritage assets which are not depreciated.

Impairment loss amounting to R 720 999 was reclassified from depreciation and amortisation.

Assets written off was adjusted for the following:

- Burnt library books amounting to R 1 135 253 were previously included in general expenses.
- Derecognised assets amounting to R 7 615 849 were previously accounted as loss on disposals.
- Movable assets with a carrying amount of R 173 462 were incorrectly written off in 2014/15.

Repairs and maintenance increased by R 642 190 due to invoices that were not accrued as at 30 June 2015.

General expenses were adjusted for the following:

- Burnt library books amounting to R 1 135 253 were previously included in general expenses.
- Included in prior year general expenses were other income R 86 863 that netted of expenditure instead of being accounted for as other income.
- Bargaining council expenditure amounting to R 861 were reclassified to employee related costs instead of general expenses.
- General expenditure was decreased by R 31 025 008 due to an incorrect accounting treatment of revenue forgone.
- General expenditure was increased by R 855 006 due to invoices that were not accrued at 30 June 2015.
- General expenditure was decreased by R 105 320 due to the correction of 2014/15 and 2015/16 membership fees that had been accounted for in the wrong financial periods.

Loss on disposal amounting to R 28 113 056 was incorrectly accounted for in the prior year, that is the municipality did not dispose any assets during the year ended 30 June 2015.

Actuarial gains amounting to R 1 331 157 was reclassified from other income to a separate line item.

Cash Flow Statement was previously not balancing R 59 239 204 and it was recalculated and adjusted.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015		
45. Prior period errors (continued)				
The correction of the errors results in adjustments as follows:				
Statement of Financial Position	Balance as previously reported	Prior period error	Reclassification	Restated balance
Receivables from exchange transactions	42 432 051	5 389 114	-	47 821 165
VAT receivable	7 017 833	122 010	-	7 139 843
Prepayments	426 085	2 393 967	-	2 820 052
Property, plant and equipment	2 279 342 666	(1 108 377)	-	2 278 234 289
Heritage assets	1 936 663	2 295 600	-	4 232 263
Payables from exchange transactions	(210 121 574)	(4 012 571)	-	(214 134 145)
Unspent conditional grants and receipts	(17 065 076)	427 500	-	(16 637 576)
Consumer deposits	(31 608 115)	(1 190 576)	-	(32 798 691)
Provisions - non-current liability	(7 377 026)	3 720 538	-	(3 656 488)
Opening Accumulated surplus	(2 375 839 472)	13 863 778	-	(2 361 975 694)
	(310 855 965)	21 900 983	-	(288 954 982)
Statement of Financial Performance	Balance as previously reported	Prior period error	Reclassification	Restated balance
Service charges	(535 428 749)	(539 903)	30 562 318	(505 406 334)
Rental of facilities and equipment	(2 153 135)	-	48 645	(2 104 490)
Other income	(7 737 978)	-	1 081 268	(6 656 710)
Farming income	(163 024)	-	163 024	-
Property rates	(106 373 868)	-	489 235	(105 884 633)
Government grants and subsidies	(160 955 459)	(427 500)	-	(161 382 959)
Employee related costs	220 396 865	(1 431 369)	861	218 966 357
Depreciation and amortisation	85 397 062	(223 420)	(720 999)	84 452 643
Impairment loss	-	-	720 999	720 999
Assets written off	-	(173 461)	8 751 102	8 577 641
Repairs and maintenance	22 165 248	642 191	-	22 807 439
General expenses	94 154 325	749 689	(32 149 447)	62 754 567
Loss on disposal of assets	28 113 056	(20 497 207)	(7 615 849)	-
Actuarial gains	-	-	(1 331 157)	(1 331 157)
	(362 585 657)	(21 900 980)	-	(384 486 637)
Cash Flow Statement	Balance as previously reported	Prior period error	Restated balance	
Taxation and fines	-	93 506 423	93 506 423	
Sale of goods and services	648 981 912	(148 528 785)	500 453 127	
Other receipts	-	24 188 461	24 188 461	
Employee costs	(228 908 587)	5 391 200	(223 517 387)	
Suppliers	(517 656 959)	30 154 755	(487 502 204)	
Purchase of property, plant and equipment	(109 283 718)	53 557 020	(55 726 698)	
Proceeds from sale of investment property	(25 640 248)	25 640 248	-	
Proceeds from sale of investment property	20 497 208	(20 497 208)	-	
Decrease in long term receivables	4 843 757	(4 172 910)	670 847	
	(207 166 635)	59 239 204	(147 927 431)	

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Notes to the Unaudited Annual Financial Statements

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46. Comparative figures

Certain comparative figures have been reclassified where it was deemed necessary for a better understanding of the annual financial statements and where better presentation would be ultimately obtained.

47. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	286 400 168	-	-	-
Payables from non exchange transactions	2 776 069	-	-	-
Consumer deposits	35 816 446	-	-	-
Borrowings	2 205 404	3 987 890	-	-
Unspent conditional grants and receipts	45 081 145	-	-	-
Finance leases	7 716 350	8 032 630	-	-
At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	214 134 149	-	-	-
Payables from non exchange transactions	2 595 001	-	-	-
Consumer deposits	32 798 691	-	-	-
Borrowings	1 896 937	6 193 295	-	-
Unspent conditional grants and receipts	16 637 576	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Cash and cash equivalents	86 174 946	31 510 310
Receivables from exchange transactions	56 286 382	42 430 050
Receivables from non exchange transactions	34 681 495	35 752 077
Investments	11 608 839	10 865 792
Long term receivables	5 604 337	6 112 275

Market risk

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47. Risk management (continued)

Risk from biological assets

The municipality is exposed to financial risks arising from changes in milk prices. The municipality does not anticipate that milk prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in milk prices. The municipality reviews its outlook for milk prices regularly in considering the need for active financial risk management.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from longterm borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

48. Going concern

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

49. Events after the reporting date

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year to the date of authorisation of these financial statements.

Randfontein Local Municipality merged with Westonaria Local Municipality on 3 August 2016 to form Randwest City Local Municipality.

50. Unauthorised expenditure

Opening balance	53 175 925	53 175 925
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Action taken/ to be taken in respect of unauthorised expenditure

Management submitted all unauthorised expenditure incurred in prior periods to council for investigation and for write off. At 30 June 2015, all expenditure not yet written off was being investigated by the Municipal Public Accounts Committee.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

51. Fruitless and wasteful expenditure

Opening balance	13 598 414	31 822 849
Interest on arrear account Eskom	10 038 682	11 030 905
Interest on arrear account OTIS	-	126
Interest on arrear account Rand Water	54 526	480
Interest on arrear account SARS	-	211 445
Interest on arrear account Telkom	8 611	2 361
Interest on arrear account Sweat Redelinghuys Nel	181	-
Interest on arrear account Sala Pension funds	34 369	-
Interest on arrear account Universal Cables CC	-	513
Less: Fruitless and wasteful expenditure written off	-	(29 470 265)
	23 734 783	13 598 414

Action taken/ to be taken in respect of fruitless and wasteful expenditure

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51. Fruitless and wasteful expenditure (continued)

Management submitted all fruitless and wasteful expenditure incurred in current and prior periods to council for investigation and write off. At 30 June 2016, all expenditure not yet written off was being investigated by the Municipal Public Accounts Committee.

No criminal or disciplinary steps have been taken as a consequence of the above expenditure.

52. Irregular expenditure

Opening balance	174 374 736	140 852 156
Add: Irregular Expenditure - current year	-	164 556 251
Less: Amounts written off	-	(131 033 671)
	174 374 736	174 374 736

Analysis of expenditure awaiting condonation per age classification

Current year	-	164 556 251
Prior years	-	9 818 485
	-	174 374 736

Details of irregular expenditure written off

-

Action taken/ to be taken in respect of irregular expenditure

Management submitted all irregular expenditure incurred in prior periods to council for investigation and write off. At 30 June 2016, all expenditure not yet written off was being investigated by the Municipal Public Accounts Committee.

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 467 540	2 390 753
Amount paid - current year	(2 393 967)	(2 288 647)
	73 573	102 106

Material distribution losses

Electricity	57 744 727	30 843 879
Water	20 794 271	27 209 780
	78 538 998	58 053 659

Electricity distribution losses for the current year was 70 765 807 (2015: 55 628 508) kilowatts which represents 17% (2015: 13%) of total electricity purchased. These electricity distribution losses comprise of technical and non-technical losses. Technical losses, being losses within the network which are inherent in any network and non-technical losses being theft, faults etc. Attempts are currently being made to reduce these non-technical losses.

Water distribution losses comprises of non-billed water, and for the current year was 3 076 460 (2015: 2 256 217) kilolitres which represents 32% (2015: 22%) of total water purchased. These water distribution losses cannot be accounted for mainly due to theft, faulty pipes, spillages etc.

See note 37 for the total electricity and water bulk purchases for the year.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
53. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees		
Opening balance	951 375	951 375
Current year subscription / fee	6 031 089	4 792 942
Amount paid - current year	(6 944 498)	(4 792 942)
	37 966	951 375
PAYE and UIF		
Current year subscription / fee	31 993 035	30 973 292
Amount paid - current year	(29 500 414)	(30 973 292)
	2 492 621	-
Pension and Medical Aid Deductions		
Current year subscription / fee	21 003 190	18 682 574
Amount paid - current year	(21 003 190)	(18 682 574)
	-	-
VAT		
VAT receivable	17 972 261	7 139 843

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2016	2015
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53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor B Matebesi	1 157	847	2 004
Councillor BC Dreyer	-	6 926	6 926
Councillor PS Mapena	1 213	49 612	50 825
	2 370	57 385	59 755

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Dreyer BC	-	11 349	11 349

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2016	Highest outstanding amount	Aging (in days)
Councillor PS Mapena	50 825	90
Councillor BC Dreyer	6 926	90
Councillor B Matebesi	2 004	90
	59 755	270

30 June 2015	Highest outstanding amount	Aging (in days)
Dreyer BC	11 349	90

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Emergency	-	2 882 034
Sole supplier	-	2 144 112
Impractical or impossible to follow procurement process	-	799 340
	-	5 825 486

54. Budget differences

Material differences between budget and actual amounts

All budget fluctuations above 10% in comparison to actual results for the year were considered material and are explained in the Statement of Comparison of Budget and Actual Amounts.

54.1 Service charges

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Notes to the Unaudited Annual Financial Statements

Figures in Rand

54. Budget differences (continued)

Installation of new water and electricity meter is still to be completed.

54.2 Sale of stands

Disposal of vacant was conducted during the financial year than anticipated.

54.3 Rental of facilities and equipment

Other facilities were not in operations than anticipated.

54.4 Interest received - outstanding receivables

Collected less than anticipated.

54.5 Income from agency services

Variance accepted as reasonable

54.6 Licences and permits

Expected revenue was over estimated

54.7 Other income

Revenue enhancement strategy did not yield the results as anticipated

54.8 Interest received - investment

Due to more grant funds that were in call accounts.

54.9 Property rates

Variance accepted as reasonable

54.10 Government grants & subsidies

Additional grants were allocated during the year, which could not be fully spend

54.11 Fines

Variance accepted as reasonable

54.12 Employee related costs

Variance accepted as reasonable/Vacant post not filled due to merger process

54.13 Remuneration of councillors

54.14 Depreciation and amortisation

54.15 Finance costs

Increase in Eskom Debt and overdue creditors

54.16 Debt impairment

Randfontein Local Municipality

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Unaudited Annual Financial Statements for the year ended 30 June 2016

Notes to the Unaudited Annual Financial Statements

Figures in Rand

54. Budget differences (continued)

Debts were written off

54.17 Assets written off

Variance accepted as reasonable

54.18 Repairs and maintenance

Variance accepted as reasonable

54.19 Bulk purchases

New water connections which have impact on costs than anticipated

54.20 Contracted services

Variance accepted as reasonable

54.21 Grants and subsidies paid

Variance accepted as reasonable

54.22 General expenses

Cost curtailment

54.23 Fair value adjustments

Variance accepted as reasonable

54.24 Actuarial gains

Variance accepted as reasonable

FIRST DRAFT

Randfontein Local Municipality
Appendix A

Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
Development Bank of South Africa	61001399	7 199 594	-	1 688 108	5 511 486	-	-
Development Bank of South Africa	61001400	890 637	-	208 830	681 807	-	-
		8 090 231	-	1 896 938	6 193 293	-	-
Finance lease							
Fleet Africa	000348	-	23 091 052	7 342 072	15 748 980	15 977 161	-
		-	23 091 052	7 342 072	15 748 980	15 977 161	-
Total external loans							
Development Bank of South Africa		8 090 231	-	1 896 938	6 193 293	-	-
Finance lease		-	23 091 052	7 342 072	15 748 980	15 977 161	-
		8 090 231	23 091 052	9 239 010	21 942 273	15 977 161	-